Economic Viability Study
Final Report

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EXECUTIVE SUMMARY

To meet legal requirements and satisfy the independent examiner, a CIL Charging Schedule should:

'Aim to strike what appears to the Charging Authority to be an appropriate balance between the need to fund infrastructure and the impact of CIL' and *' Not put at serious risk the overall development of the area'.*

As explained in official guidance, CIL may reduce development by making certain schemes unviable. Conversely, it may increase development by funding infrastructure that would not otherwise be provided, which in turn supports development. The law requires that, in the judgement of the authority, the net outcome of these two impacts should be positive. This judgement is at the core of the charge-setting process.

Regulation, legislation and guidance also advise that:

- Charging Authorities should avoid setting charges up to the margin of viability for the bulk of sites;
- CIL charging rates may vary across geographical zones, land uses and scales of development. There are restrictions on this differential charging. It must be justified by differences in development viability, not by policy or by varying infrastructure costs; it should not introduce undue complexity; and it should have regard to State Aid rules.
- Charging rates should be informed by 'appropriate available evidence', which need not be 'fully comprehensive or exhaustive';
- While charging rates should be consistent with the evidence, they are not required to 'mirror' the evidence[1]. In this and other ways, Charging Authorities have significant discretion in setting charge rates.

In our analysis and recommendation below, we aim both to meet these legal requirements and to maximise the Council's ability to achieve its priorities, using the discretion that the legislation and guidance allows.

[1] Planning Act 2008 (Section 212 (4)(b))

Our approach to assessing the viability of development can be summarised as follows:

Gross Development Value
MINUS
Total Development Costs
(including developer's margin)
EQUALS
Residual Land Value

Separate assessments of the viability of residential and non-residential development in Oldham have been undertaken using bespoke cashflow models that take account of the key characteristics of each.

Assessments of residential development have been done for development on sites within three value zones:

- A low value zone that would cover the wards of Alexandra, Chadderton South, Coldhurst, Failsworth East, Failsworth West, Hollinwood, Medlock Vale, Royton South, St James', St Mary's, Waterhead and Werneth.
- A moderate value zone that would cover the wards of Chadderton Central, Chadderton North, Crompton, Royton North and Shaw.
- A high value zone that would cover the wards of Saddleworth North, Saddleworth South and Saddleworth West & Lees.

Separate assessments have been undertaken for houses and apartments.

Our assessments sought initially to establish the maximum potential charge rates (consistent with maintaining viability) in each case. As mentioned above, it is then a decision of the Charging Authority as to how far from this theoretical ceiling it wishes to set the charge. The maximum potential charge rates for residential development are considered to be:

- Market housing in lower value areas: £0 per sq. m;
- Market housing in moderate value areas: £56 per sq. m;
- Market housing in high value areas: £133 per sq. m;
- Apartments in lower value areas: £0 per sq. m;
- Apartments in moderate value areas: £0 per sq. m; and
- Apartments in high value areas: £70 per sq. m.

Again, where development types were found to be viable, we sought to establish the maximum potential charge rates, consistent with development remaining viable.

Where the assessment showed a deficit, no rate is identified. The maximum rates for non-residential development are as follows:

- Town centre office: £0 per sq. m;
- Business park office: £0 per sq. m;
- Industrial and Warehousing: £0 per sq. m;
- High street comparison retail: £16 per sq. m;
- Retail warehousing: £106 per sq. m;
- Supermarket: £230 per sq. m; and
- Neighbourhood convenience: £34 per sq. m.

The viability of other, less common uses and forms of development has also been considered in order to inform the proposed charging schedule set out below.

As discussed above, it is at the discretion of the Charging Authority to determine how far below this theoretical maximum any charge should be set.

The charges set out below reflect the viability evidence and comply with the CIL regulations in every respect, as we understand them. We believe that it is exactly this kind of clarity and simplicity that is being and will be sought by Examiners.

Use	CIL Charge (per sq. m)
Market houses in lower value zone	£0
Market houses in moderate value zone	£30
Market houses in higher value zone	£80
Market apartments in higher value zone	£45
Supermarket	£160
Retail Warehouse	£70
Neighbourhood Convenience Retail	£20
All Other Development	£0

1 INTRODUCTION

1.1 Peter Brett Associates LLP (PBA) was commissioned by Oldham Metropolitan Borough Council (hereafter referred to as 'the Council') to provide specialist services for the development and preparation of a Community Infrastructure Levy (CIL).

1.2 This study is structured in the following way.

- In Section 2 we set out the legal requirements that a CIL Charging Schedule must comply with. This work informs the rest of the report.
- Section 3 examines the planning and development context in order to ensure that CIL supports development. This work has important implications for the structure of the Charging Schedule.
- Sections 4 to 8 look at the viability of different kinds of development in different parts of Oldham.
- Section 9 considers the scope for CIL in relation to each use, discusses the charge rate options, makes recommendations for a Preliminary Draft CIL Charging Schedule (PDCS) and provides a broad projection of the potential revenue from the CIL.
- Section 10 details how the CIL Charging Schedule, if adopted by the council, can be implemented taking into account exceptional circumstances, discretionary relief, instalment policy, administration charges, monitoring and review.

2 LEGAL REQUIREMENTS

2.1 The National Planning Policy Framework (NPPF) requires that 'Plans should be deliverable' and that the cumulative effects of policy should not render plans unviable. It is necessary, therefore, to demonstrate that Oldham Joint Core Strategy and Development Management Policies Development Plan Document (herein referred to as the Core Strategy) is deliverable in the context of policy requirements. This section of the report summarises the relevant extracts of the NPPF in this regard.

2.2 The Community Infrastructure Levy (CIL) is a planning charge based on legislation that came into force on 6 April 2010. The levy allows local authorities in England and Wales to raise contributions from development to help pay for infrastructure that is needed to support planned development as a whole. It is still possible for S106 obligations to be used to fund site specific infrastructure, subject to limits on pooling obligations for particular purposes. Local authorities who wish to charge the levy must produce a draft charging schedule setting out CIL rates for their areas – which are to be expressed as pounds (£) per square metre, as CIL will be levied on the gross internal floorspace of the net additional liable development. Before it is approved by the Council, the draft schedule has to be tested by an independent examiner.

2.3 The requirements which a CIL charging schedule has to meet are set out in:

- The Planning Act 2008 as amended by the Localism Act 2011.
- The CIL Regulations 2010[2], as amended in 2011[3] , 2012[4], 2013[5] and 2014[6].
- The National Planning Practice Guidance on CIL (NPPG CIL) issued under S221 of the Planning Act 2008, which is statutory guidance, i.e. it has the force of law and the authority must have regard to the guidance[7].

2.4 Below, we summarise the key points from these various documents.

Community Infrastructure Levy

Striking the appropriate balance

2.5 The revised Regulation 14 requires that a charging authority '*strike an appropriate balance*' between:

- The desirability of funding from CIL (in whole or in part) the… cost of infrastructure required to support the development of its area… and
- The potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.

2 http://www.legislation.gov.uk/ukdsi/2010/9780111492390/pdfs/ukdsi_9780111492390_en.pdf
3 http://www.legislation.gov.uk/ukdsi/2011/9780111506301/pdfs/ukdsi_9780111506301_en.pdf
4 http://www.legislation.gov.uk/uksi/2012/2975/pdfs/uksi_20122975_en.pdf
5 http://www.legislation.gov.uk/uksi/2013/982/pdfs/uksi_20130982_en.pdf
6 http://www.legislation.gov.uk/ukdsi/2014/9780111106761/pdfs/ukdsi_9780111106761_en.pdf
7 DCLG (June 2014) *National Planning Practice Guidance: Community Infrastructure Levy (NPPG CIL)*

2.6 By itself, this statement is not easy to interpret. The June 2014 statutory guidance explains its meaning. A key feature of the 2014 Regulations is to give legal effect to the requirement in this guidance for an authority to 'show and explain…' their approach at examination. This explanation is important and worth quoting at length:

'The levy is expected to have a positive economic effect on development across a local plan area. When deciding the levy rates an appropriate balance must be struck between additional investment to support development and the potential effect on the viability of developments. This balance is at the centre of the charge-setting process. In meeting the regulatory requirements (see Regulation 14(1)), charging authorities should be able to show and explain how their proposed levy rate (or rates) will contribute towards the implementation of their relevant plan and support development across their area. As set out in the National Planning Policy Framework in England (paragraphs 173 – 177), the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened'.[8]

2.7 In other words, the 'appropriate balance' is the level of CIL which maximises the delivery of development in the area. If the CIL charging rate is above this appropriate level, there will be less development than planned, because CIL will make too many potential developments unviable. Conversely, if the charging rates are below the appropriate level, development will also be compromised, because it will be constrained by insufficient infrastructure.

2.8 Achieving an appropriate balance is a matter of judgement. It is not surprising, therefore, that charging authorities are allowed some discretion in this matter. Regulation 14 requires that in setting levy rates, the Charging Authority (our underlining highlights the discretion):

'must strike <u>an</u> appropriate balance…' ie. it is recognised there is no one perfect balance';

and the June 2014 statutory guidance says

'A charging authority must use 'appropriate available evidence'… to i<u>nform</u> their draft charging schedule… A charging authority's proposed rate or rates should be reasonable, given the available evidence, but there is no requirement for a proposed rate to exactly mirror the evidence… There is room for some pragmatism.'[9]

2.9 The statutory guidance sets the delivery of development in the area firmly in the context of implementing the Core Strategy. This is linked to the plan viability requirements of the NPPF, particularly paragraphs 173 and 174. This point is given emphasis throughout the guidance. For example, in guiding examiners, the guidance makes it clear that the independent examiner should establish that:

[8] DCLG (June 2014) *NPPG CIL* (para.009)
[9] DCLG (June 2014) *NPPG CIL* (para 019)

'…..evidence has been provided that shows the proposed rate (or rates) would not threaten delivery of the relevant Plan as a whole.'[10]

2.10 This also makes the point that viability is not simply a site specific issue but one for the plan as a whole.

2.11 The revised Regulation 14 effectively continues to recognise that the introduction of CIL may put some potential development sites at risk. The focus is on seeking to ensure development envisaged by the Core Strategy can be delivered. Accordingly, when considering evidence the guidance requires that charging authorities should '*use an area-based approach, involving a broad test of viability across their area*', supplemented by sampling *'…an appropriate range of types of sites across its area…'* with the focus *'...on strategic sites on which the relevant Plan… relies…'* [11]

2.12 This reinforces the message that charging rates do not need to be so low that CIL does not make any individual development schemes unviable. The levy may put some schemes at risk in this way so long as, in aiming to strike an appropriate balance overall, it avoids threatening the ability to develop viably the sites and scale of development identified in the Core Strategy.

Keeping clear of the ceiling

2.13 The guidance advises that CIL rates should not be set at the very margin of viability, partly in order that they may remain robust over time as circumstances change:

'It would be appropriate to ensure that a 'buffer' or margin is included, so that the levy rate is able to support development when economic circumstances adjust'[12]

2.14 We would add two further reasons for a cautious approach to rate-setting, which stops short of the margin of viability:

- Values and costs vary widely between individual sites and over time, in ways that cannot be fully captured by the viability calculations in the CIL evidence base.
- A charge that aims to extract the absolute maximum would be strenuously opposed by landowners and developers, which would make CIL difficult to implement and put the overall development of the area at serious risk.

Varying the charge

2.15 CIL Regulations (Regulation 13) currently allow the charging authority to introduce charge variations by geographical zone in its area, by use of buildings, or both. (It is worth noting that the phrase 'use of buildings' indicates something distinct from 'land use').[13] The 2014 Regulations also allow variations by 'intended gross internal area

[10] DCLG (June 2014) *NPPG CIL* (Para 038)

[11] DCLG (June 2014) *NPPG CIL* (Para 019)

[12] DCLG (June 2014) *NPPG CIL* (Para 019)

[13] The Regulations allow differentiation by "uses of development". "Development" is specially defined for CIL to include only 'buildings', it does not have the wider 'land use' meaning from TCPA 1990, except where the reference is to development of the area, in which case it does have the wider definition. See S 209(1) of PA 2008, Reg 2(2), and Reg 6.

of development' (where 'development' means buildings) or by 'the intended number of dwellings or units'. As part of this, some rates may be set at zero (which could still allow some infrastructure to be provided through S106 agreement(s), where appropriate). But, variations must reflect differences in viability; they cannot be based on policy boundaries. Nor should differential rates be set by reference to the costs of infrastructure.

2.16 The guidance also points out that there are benefits in keeping a single rate, because that is simpler, and charging authorities should avoid 'undue complexity'.[14]

2.17 Moreover, 'differential rates should not have a disproportionate impact on particular sectors, or specialist forms of development'; otherwise the CIL may fall foul of State Aid rules.[15]

2.18 It is worth noting, however, that the guidance is clear that 'If the evidence shows that the area includes a zone, which could be a strategic site, which has low, very low or zero viability, the charging authority should consider setting a low or zero levy rate in that area.'[16]

Supporting evidence

2.19 The legislation requires a charging authority to use '*appropriate available evidence'* to inform their charging schedules[17]. The statutory guidance expands on this, explaining that the available data 'is unlikely to be fully comprehensive'.[18]

2.20 These statements are important, because they indicate that the evidence supporting CIL charging rates should be proportionate, avoiding excessive detail. One implication of this is that we should not waste time and cost analysing types of development that will not have significant impacts, either on total CIL receipts or on the overall development of the area as set out in the Core Strategy. This suggests that the viability calculations may leave aside geographical areas and types of development which are expected to see little or no development over the plan period.

Chargeable floorspace

2.21 CIL will be payable on most buildings that people normally use. It will be levied on the net additional floorspace created by any given development scheme[19]. Any new build that replaces existing floorspace that has been in use for six months in the last three years on the same site will be exempt from CIL, even if the new floorspace belongs to a higher-value use than the old.

The Examination

2.22 According to statutory guidance, the independent examiner should check that:

[14] DCLG (June 2014) *NPPG CIL* (Para 021)
[15] DCLG (February 2014) *NPPG CIL* (Para 021)
[16] DCLG (February 2014) *NPPG CIL* (Para 021)
[17] Section 211 (7A) of the Planning Act 2008
[18] DCLG (February 2014) *NPPG CIL* (Para 019)
[19] DCLG (February 2014) *NPPG CIL* (para 002)

- The charging authority has complied with the requirements set out in legislation.
- The charging authority's draft charging schedule is supported by background documents containing appropriate available evidence.
- The proposed rate or rates are informed by and consistent with, the evidence on economic viability across the charging authority's area.
- Evidence has been provided that shows the proposed rate would not threaten delivery of the relevant Plan as a whole.[20]

Policy and other requirements

2.23 Above, we have dealt with legal and statutory guidance requirements which are specific to establishing a CIL. More broadly, the guidance says that charging authorities '*should consider relevant national planning policy… when drawing up their charging schedules*[21]'. In addition, where consideration of development viability is concerned, the guidance draws specific attention to paragraphs 173 to 177 of the NPPF.

2.24 The only policy requirements which relate directly to CIL are set out in paragraph 175 of the NPPF, covering, firstly, developing CIL alongside the plan making where practical; and secondly, placing control over a meaningful proportion of funds raised with neighbourhoods where development takes place. Since April 2013[22] this policy requirement has been complemented with a legal duty on charging authorities to pass a specified proportion of CIL receipts to local councils, to spend it on behalf of the neighbourhood if there is no local council for the area where development takes place. Whilst important considerations, these two points are outside the immediate remit of this study.

Summary

2.25 To meet legal requirements and satisfy the independent examiner, a CIL charging schedule published as a Draft for consultation should:

'*strike an appropriate balance' between the need to fund infrastructure and the impact of CIL*; and

'*Not threaten delivery of the relevant plan as a whole*'.

2.26 As explained in statutory guidance, this means that the net effect of the levy on total development across the area should be positive. CIL may reduce development by making certain schemes which are not plan priorities unviable. Conversely, it may increase development by funding infrastructure that would not otherwise be provided, which in turn supports development that otherwise would not happen. The law requires that the net outcome of these two impacts should be judged to be positive. This judgment is at the core of the charge-setting and examination process.

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[20] DCLG (June 2014) *NPPG CIL* (Para 038)
[21] DCLG (June 2014) *NPPG* (Para 011)
[22] http://www.legislation.gov.uk/uksi/2013/982/pdfs/uksi_20130982_en.pdf

2.27 Legislation and guidance also set out that:

- Authorities should avoid setting charges up to the margin of viability for the bulk of sites.
- CIL charging rates may vary across geographical zones, building uses, and, under the 2014 Regulations, scale of development (and only across these three factors). However, there are restrictions on this differential charging. It must be justified by differences in development viability, not by policy or by varying infrastructure costs; it should not introduce undue complexity; and it should have regard to State Aid rules.
- Charging rates should be informed by 'appropriate available evidence', which need not be 'fully comprehensive or exhaustive'.

2.28 While charging rates should be consistent with the evidence, they are not required to 'mirror' the evidence[23]. In this, and other ways, charging authorities have discretion in setting charging rates.

- In our analysis and recommendations, we aim both to meet these legal and statutory guidance requirements and to maximise achievement of the Council's own priorities, using the discretion that the legislation and guidance allow.

[23] Planning Act 2008 (Section 212 (4) (b))

3 PLANNING AND DEVELOPMENT CONTEXT

3.1 To help ensure that CIL supports the development of Oldham in general and delivery of the council's priorities in particular, we need to understand the nature of development and their objectives. In this section we therefore first review recent patterns of development – which provide a broad indication of what may happen in the future – and then review the objectives and proposals in the adopted Core Strategy.

3.2 At the end of the section, we look at the implications of this analysis for the charging schedule.

Development Context

3.3 Patterns of past development provide one guide to the likely patterns of future development. Figure 3.1 below analyses the amount of net residential completions over the period 2003 – 2013 with the year 2013/14 showing as forecast.

Figure 3.1 Housing Completions and Clearances 2004-2014

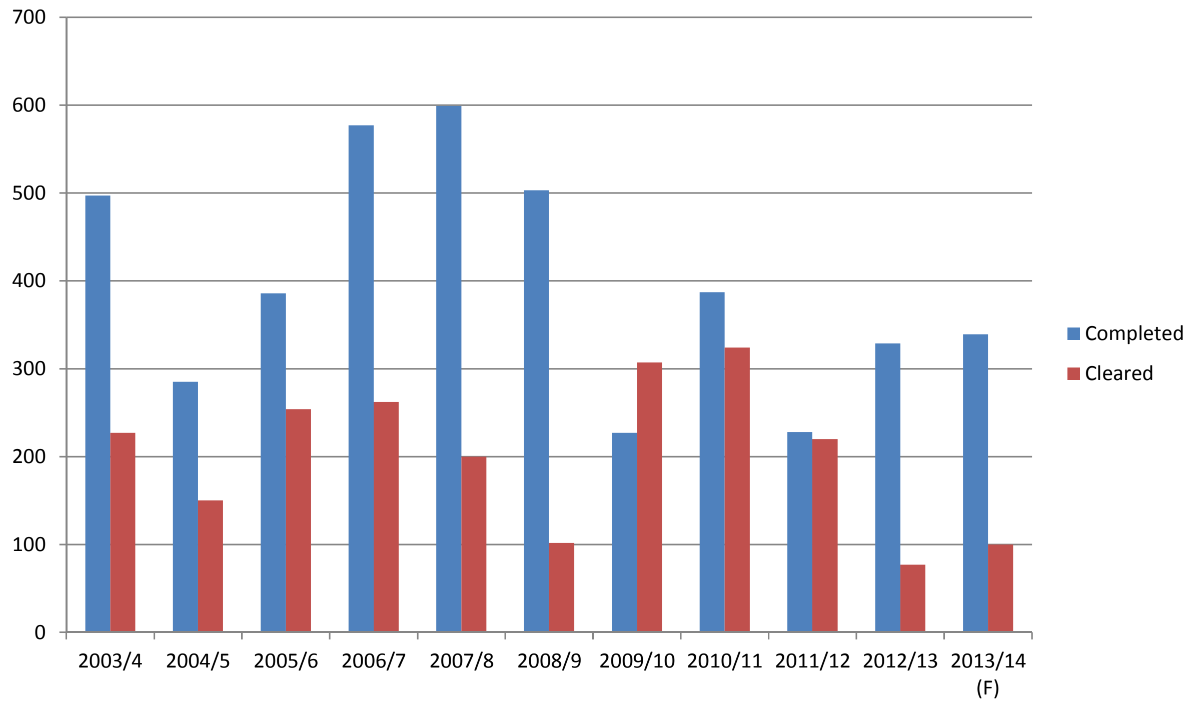
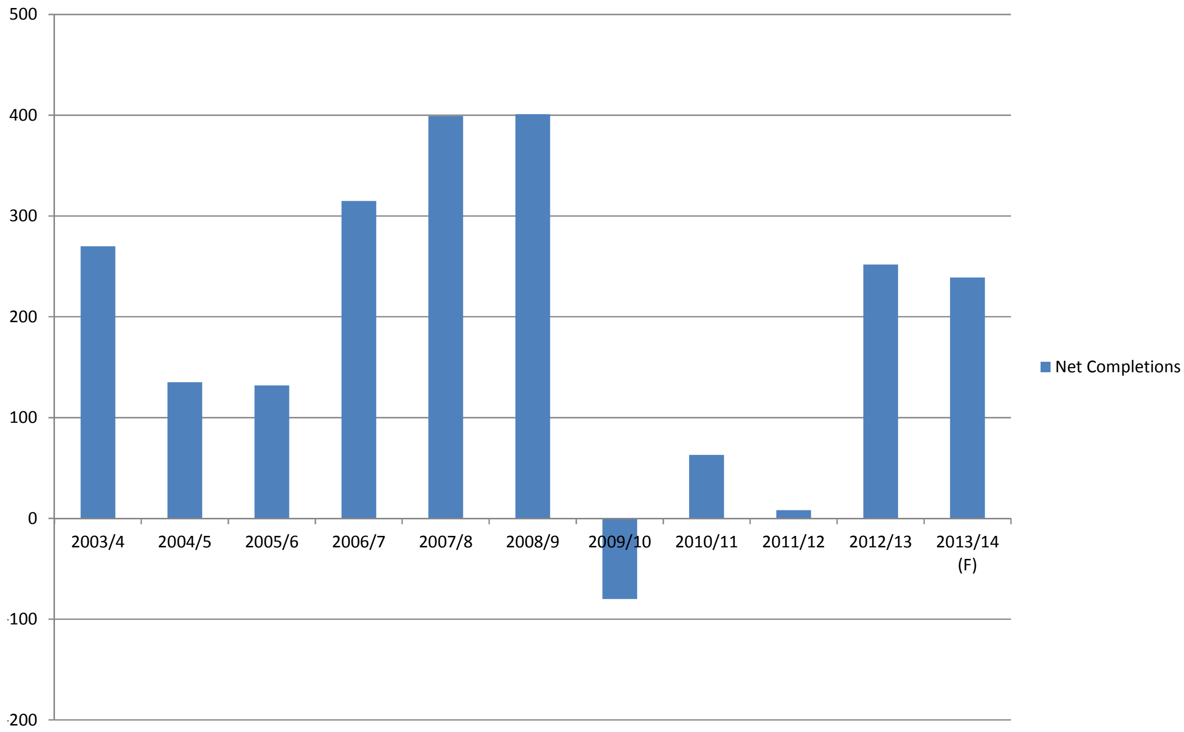


Figure 3.2 Net Housing Completions



Source: Oldham Annual Monitoring Report (2012/13) *F = Forecast

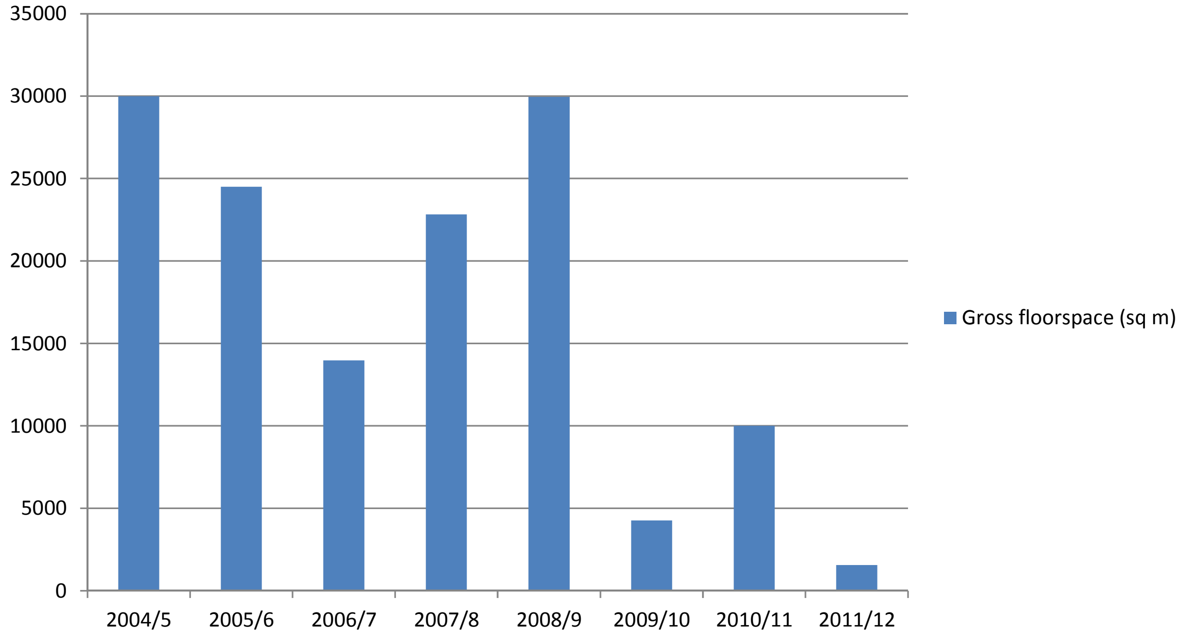
3.4 The period 2006 to 2009 showed a high level of net completions on an annual basis before rapidly dropping off as the recession hit, falling to net losses in 2009/2010 and very low completion rates in 2010/2011 and 2011/2012.

3.5 The last year of data shows a sharp rise in housing completions compared to the previous three years. In 2011, all housing market renewal (HMR) funding was allocated relating to the Oldham and Rochdale HMR scheme. This allocated funding will have started to result in more new homes being built and thus can be attributed to the sharp rise in building completions in Oldham.

3.6 Over the period 2003 to 2013 a total of 1,895 net completions were finished equating to an average of 211 dwellings per annum. Assuming an average unit size of 110 sq. m this equates to a total residential floorspace of 208,450 sq. m. In order to meet the core strategy targets, 4,513 dwellings need to be completed by 2026, equating to approximately 350 dwellings per annum. In the next five years this would suggest a total of 1,750 dwellings, potentially equating to a net additional floorspace of 192,500 sq. m.

3.7 Employment uses have seen little development over the last few years. This is highlighted by the data for 2012/13 where a total of 11,716 sq. m was completed. 25% of this figure was constructed for B1 use with the remaining 75% as B2 and/or B8 uses. As a consequence of this we do not anticipate significant levels of employment development to come forward in the near future.

Figure 3.3 Gross Employment Floorspace Completions



Source: Oldham Annual Monitoring Report

Policy Context

The Core Strategy

3.8 The Oldham Core Strategy, which was adopted 9 November 2011 sets out the council's vision and strategy for development over the period to 2026. A review of the Core Strategy suggests that a number of development types are going to be critical to the delivery of the plan. These types of development will deliver the overwhelming majority of growth in Oldham over the plan period. Below, we show what these uses are.

3.9 It is important not to focus on floorspace alone in this review. Some developments sought in the Core Strategy might not represent a significant portion of floorspace delivery, but might be important local aspirations that deliver the wider aspirations within Oldham for its community and economy. We have therefore included these uses in our review.

Residential Development

3.10 Policy 3: An Address of Choice sets out the quantum of housing development and the distribution of the housing across the Borough. The focus of housing will be in sustainable and accessible locations, with 80% of development to take place on previously developed land. The policy provides an indicative breakdown of where the housing should be located across the Borough. This distribution is highlighted in the table below.

Table 3.1 Distribution of Housing within District Partnership Areas

District Partnership Area	Distribution
East and West Oldham	60%
Failsworth and Hollinwood	10%
Saddleworth and Lees	10%
Royton, Shaw and Crompton	10%
Chadderton	10%

3.11 This information provides a clear indication of where development is likely to take place across the Borough.

Non-Residential Development

3.12 The non-residential aspirations of the plan are set out across a number of policies. Policy 4: Promoting Sustainable Regeneration and Prosperity provides the aspirations relating to employment uses across the borough with a target figure of 82ha to be delivered across the period 2008 – 2026. Approximately half of this land will be provided at Foxdenton.

3.13 Foxdenton is targeted as the area to provide a premium business location containing office, business and industrial space. Other areas of development for employment uses include Hollinwood Business District and Chadderton Technology Park.

3.14 Other relevant policies include Policy 15 Centres and Policy 16 Local Services and Facilities. Forecasts expect there to be an additional requirement for additional office and retail floorspace during the plan period. These sites will be identified through the use of the sequential approach with the majority of sites being located within, or on the edge of, existing centres.

Uses Less Likely to Come Forward

3.15 Some uses are currently considered unlikely to come forward over the plan period. These do not currently merit special treatment but will be kept under review. They are as follows:

- Hostels;
- Scrapyards;
- Petrol filling stations;
- Selling and/or displaying motor vehicles;
- Nightclubs;
- Launderettes;
- Taxi businesses;
- Amusement centres; and

- Casinos.

Implications

3.16 We have shown that the majority of Core Strategy development is expected to fall within a limited number of development types. These development types will create the greatest amount of new floorspace in Oldham over the plan period, or be strategically important to the broader objectives of the Core Strategy.

3.17 The most important development types are:

- Residential;
- Town centre office;
- Business park office;
- Industrial and warehousing;
- Comparison retail;
- Retail warehouse; and
- Convenience retail.

3.18 The above analysis suggests that we should focus the CIL evidence base on these types of developments, aiming to ensure that they remain broadly viable after the CIL charge is levied. As long as our viability evidence shows that these main components are deliverable, then we will pass this central element of the examination. However, we do not need to prove that each and every development in these categories will be deliverable; instead, we need to show that the main elements of these types of development are viable, when seen at a borough-wide level.

Emerging Site Allocations DPD

3.19 In December 2013, the Council published its Options Report for the Site Allocations Plan DPD. This document identifies sites for development to meet future requirements for housing, employment uses and other forms of development.

Size profile of sites

3.20 The council has undertaken analysis of these sites. There is a broad spectrum of site typologies that are contained within the Options Report DPD, however analysis has shown that the vast majority of the future supply of residential development sites will be on sites of between 0.25 ha and 5 ha.

3.21 The vast majority of the sites are located within the built up areas of Oldham and so are unlikely to be significant in size. The residential sites across the borough for the most part are no larger than 5ha with the exception of a couple of large sites. The majority of employment allocations cover much larger sites of 10ha or more.

Geographic distribution of sites

3.22 As mentioned above, the majority of the sites that have been allocated are located within the built up areas of the borough with only a small amount allocated in the rural areas to the east.

3.23 Combining the site allocations with the distribution of housing numbers it is possible to see that approximately 84% of dwelling provision over the life of the plan is to be contained within the west of the borough (all wards excluding the Saddleworth wards).

Infrastructure Evidence

3.24 The council, in providing evidence for the Examination of the Core Strategy, have undertaken an Infrastructure Study. This study has identified the cost of the infrastructure required to deliver the aspirations of the development plan. This study was undertaken in September 2010.

3.25 A number of items were identified in the study, at the time of publishing, which showed a funding gap of some £1.5bn. However, a number of the larger items, such as the Metrolink extension, have now been completed and so not forming the current funding gap.

3.26 It will be for the council to update the Infrastructure Study in due course to inform the development of the Regulation 123 (R123)[24] list and the strategic items that should be included.

[24] The Regulation 123 list is the document that accompanies a CIL charging schedule. It is produced by the Council and lists the infrastructure projects that will be funded through CIL revenues. Any items contained on this list cannot be asked for through additional S106 agreements.

4 RESIDENTIAL VIABILITY

4.1 This section provides an overview of the residential property market in Oldham. It also sets out the evidence for, and the details of, the assumptions we have made in respect of development typologies. Covering the likely costs and revenues of development that feed into our viability assessment as well.

Market Overview

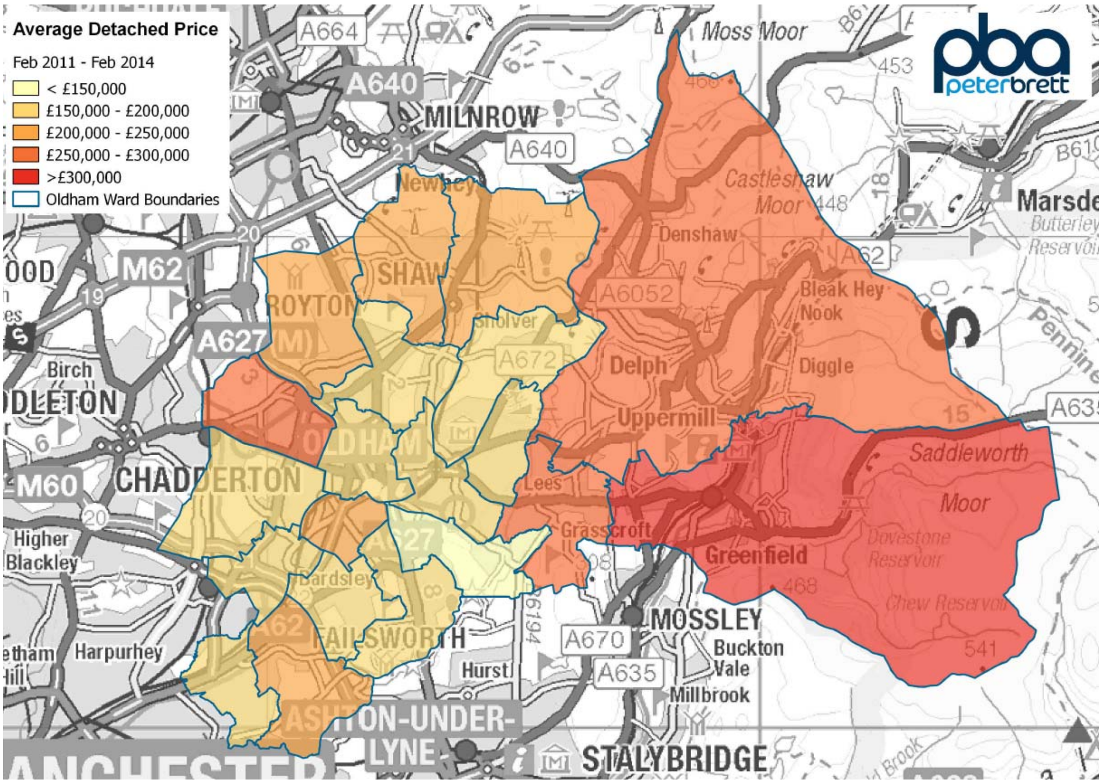
4.2 Oldham has a clear distribution pattern between the various housing types. There is a significant difference between the highest values achieved in the high value areas and the lowest values in the low value areas. This is to be expected in a Metropolitan Borough given the combination of dense urban areas with the rural areas that are found in the east of the borough.

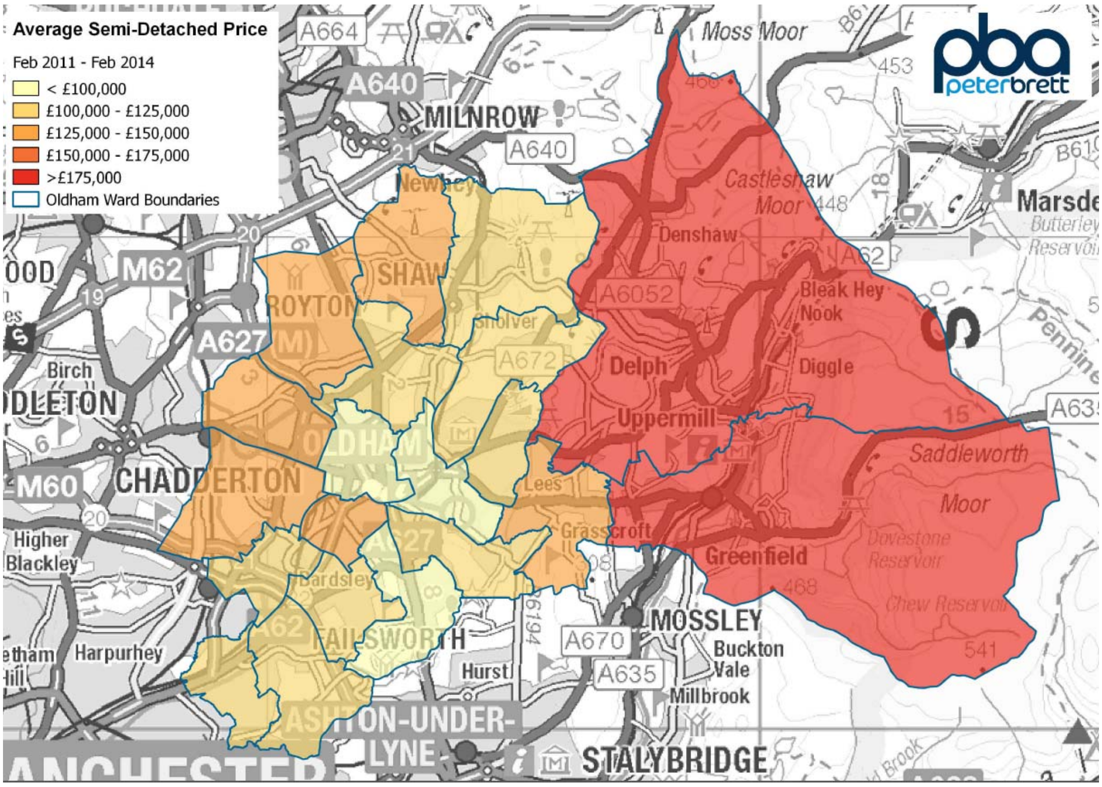
4.3 There is access to a wide range of services within Oldham and there is also easy access to the rest of Greater Manchester by car but also bus, tram and rail. This can be seen as an added bonus for residents who may see Oldham and the surrounding towns and villages as commutable options. The quality of both historic and new-build residential property is also good.

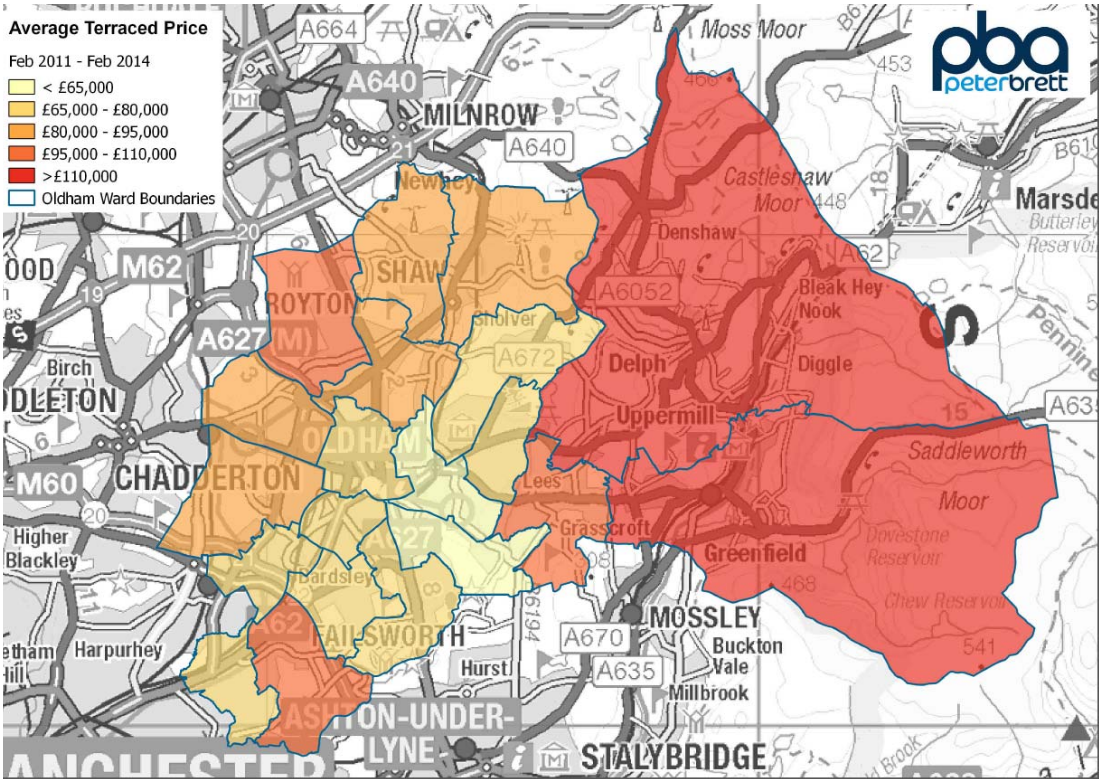
4.4 The heat maps below show how sales prices vary across Oldham, using Land Registry data for the three year period from June 2011 to May 2014 to provide a statistically robust data set. The achieved sales prices are analysed with outliers being removed, the data is then averaged by ward and banded. The results are shown separately for each residential type, so that there is no skewing of the data by an over-representation of a particular house type. Where a ward is blank there is not enough data to provide a meaningful result and so it is excluded from the analysis.

4.5 Larger versions of the mapping are shown at Appendix A.

Figure 4.1 Sales Value Heat Maps







4.6 There was not enough data from which to produce meaningful mapping for apartments. As a consequence the mapping has not been included. The data however has still been used in drawing our assumptions for the study.

4.7 We are not drawing firm conclusions on the scope for CIL charge variation at this stage. Further, more detailed analysis will be undertaken as part of the viability work for the purposes of establishing any CIL charging schedule. Initially however, the sales value heat mapping presented above shows a distinct east to west divide with the three Saddleworth wards to the east showing much higher averages than the rest of the Borough. There also appears to be a band of moderate value wards forming a north western arc, with values higher than those seen in the south west of the Borough.

4.8 Guidance states '*A charging authority which chooses to differentiate between classes of development, or by reference to different areas, should do so only where there is consistent economic viability evidence to justify this approach*.'[25] Of course, further analysis may well provide the evidential basis for charge variation by zone in Oldham as the heat mapping alone will not be enough to justify a charge variation.

Trends and Trajectory

4.9 Figures 4.2 and 4.3 below shows the average house price trend for Oldham since January 2004, compared against the national average as well as the Greater Manchester average.

[25] DCLG (June 2014) *NPPG CIL* (Para 021)

Figure 4.2 Average House Prices – Oldham and the National Average

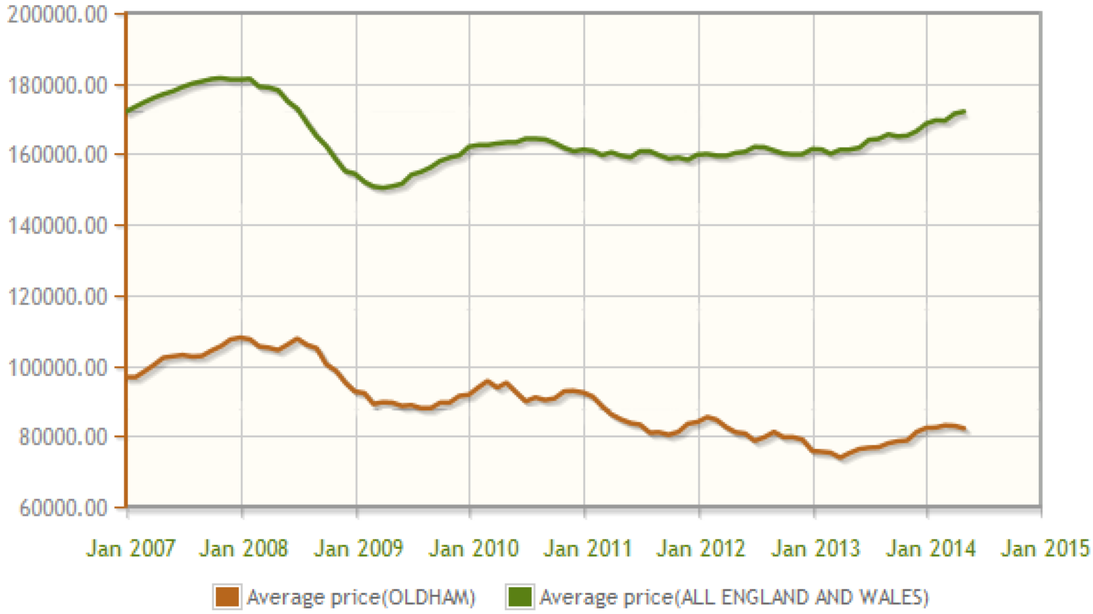


Figure 4.3 Average House Prices – Oldham and Greater Manchester

4.10 It is clear from figure 4.2 that average house prices in Oldham are below the national average. The difference between Oldham and the national average is significant with the gap widening in recent months. The difference between Oldham and Greater Manchester is less significant; however Oldham still shows lower values.

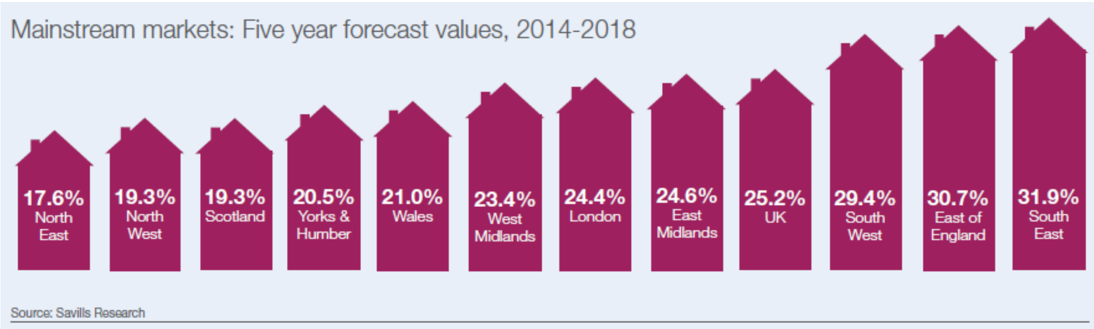
4.11 The peak of the recent market cycle for Oldham was January 2008 at £107,941 which was achieved slightly later than the England and Wales average. This was achieved in November 2007 at £181,251.

4.12 The impact of the financial crisis and resultant recession is clear in both graphs. Nationally, there was a sharp drop to £150, 396 in April 2009. Oldham showed a similar characteristic dropping to £89,477 by May 2009. From this time whereas the national average shows a trend that generally shows increase in average house prices, the data for Oldham shows continued decline up to April 2013, when average sales prices dropped to a low of £73,87. The last 12 months have seen a strong improvement in the Oldham market.

4.13 The latest projections of house prices prepared by Savills in their Residential Property Focus (Q2 2014), shown below, provides a five year forecast for the various regions (previous iterations of the forecast provide an annual breakdown).

4.14 The forecast shows that, whilst there is growth shown in the north west, compared to the UK figure and those of the southern regions, the growth is slower. Savills suggest the average annual rate of price increase is approximately 3.8% per annum. Figure 4.3 shows that Oldham is below the Greater Manchester average which would lead to suggest the rate of growth in Oldham may be slower.

Figure 4.4 Savills Residential Property Forecast



Source: Savills Residential Property Focus (Q2 2014)

4.15 For the purpose of CIL charge setting, it is current market conditions that must be the primary consideration. However, we have also sought to 'future-proof' this analysis to some extent by considering several sales value scenarios. These are discussed and set out below but can be considered to reflect a moderate case current market conditions scenario, with a lower and upper scenario which will broadly reflect the range of market locations in Oldham.

Approach to Assessing Viability

4.16 Viability assessments are at the core of the charge-setting process. The purpose of the assessment is to identify charging rates at which the bulk of the development proposed in the development plan is financially viable, in order to ensure that CIL does not put at risk the overall development planned for the area.

4.17 PBA has a bespoke excel-based model for assessing the viability of residential development as part of CIL studies. The model takes as its basis a hypothetical area of land and allows us to assess the value of a development by reference to the density of development, the proportion and type of affordable housing, the size of houses and typical sales values being achieved.

4.18 The model also enables us to input the cost of acquiring the land and to calculate all the other principal costs associated with development, including construction costs, fees, contingency and finance costs, amongst others.

4.19 The output of the model is a residual land value. This figure is subtracted from an assumed benchmark land value in order to calculate an overage above the assumed profit value. Our approach to assessing the viability of residential development can therefore be summarised as follows:

Gross Development Value

MINUS

Total Development Costs

(including developer's margin)

EQUALS

Residual Land Value

4.20 No standard assumptions are made by the model, so that each appraisal is entirely bespoke. Assumptions are inputted with respect to:

- The proportion of the site that is developable for housing (i.e. not required, for example, for open space, infrastructure or other non-housing requirements);
- The density of development and the mix of shared ownership, affordable rent and social rented;
- The average size of houses and apartments;
- Build costs per sq. m;
- Sales value per sq. m;
- Sales rate;
- Benchmark land value per gross hectare (including associated purchase costs);
- Typical s. 106 costs;
- Costs for secondary infrastructure;
- Professional fees;
- Costs of sales and marketing; and
- Finance costs.

4.21 The model allows each variable to be changed to assess different development and market scenarios.

4.22 At this stage, any potential CIL charge has been excluded from our assessment; however we do make an allowance for residual s. 106 which will still apply after the adoption of the CIL charging schedule. The potential level of contributions is discussed separately below.

Development Typologies

4.23 Another key assumption to take into consideration when carrying out development viability modelling is the development densities. This will enable the total developable floorspace to be calculated, allowing the cost values and the sales values of the hypothetical development schemes to be determined.

4.24 The densities have been broken down by reference to the nature of development likely to take place in different parts of the borough. In order to meet market demands, it is reasonable to assume that in most cases smaller houses will be built at slightly higher densities in lower value areas, whilst lower density larger houses are more likely in higher value areas. Clearly, in the town centre we would expect apartments to be the predominant dwelling type. The assumed densities are as follows:

- Low value areas - 40dph and 90 sq.m average unit size;
- Moderate value areas - 35dph and 100 sq. m average unit size;
- Higher value areas – 30dph and 110 sq. m average unit size; and
- Apartments – 80dph, 50 sq. m in low value, 55 sq. m in moderate and 60 sq. m in higher value areas.

4.25 We have made separate size assumptions for the affordable elements in our modelling. For houses we have assumed that all affordable housing will be 80 sq. m in all three value areas. For apartments we have assumed that all affordable units will be 50 sq. m in all value areas.

4.26 Our modelling assumes a net developable area. This varies depending on the site size. Small sites of 0.25ha have been assumed at 100% net developable area, 1ha sites have an assumed net developable area of 90% and 5ha sites a net developable area of 70%. These have been assumed as a result of the likely level of on-site requirements that will be contained within a development. Ranging from very limited/no requirements on small sites, open space requirements on 1ha sites to open space, schools and so on for large 5ha sites.

Assumptions

4.27 Common to both residential and non-residential assessments is the need to gather robust market data. Any assessment of viability can only be as good as the assumptions (and the information they are based on) that go into it. This section of the report therefore, sets out the sources of information that have informed the assumptions that underpin the viability assessments, along with the assumptions themselves.

4.28 Our calculations use 'readily available evidence', which has been informed and adjusted by an assessment of local transactions and market demand. This kind of strategic viability assessment involves a high degree of generalisation. Therefore the assumptions adopted in this assessment are intentionally cautious and in most circumstances the approach will return a more conservative estimate of what is viable and what is not, than might be expected on the basis of anecdotal information on the price paid for development sites in the past and Land Registry reports. This is an important point to bear in mind later when it comes to debating what is considered an 'appropriate balance'.

Information Sources

4.29 Information on the per sq. m values of new residential development was gathered through an analysis of new properties that are currently for sale. Information on the price and size of new houses and apartments was gathered and used to determine a value per sq. m for each dwelling, taking account of typical levels of discounting from asking prices. These per sq. m values could then be averaged and used as the basis for analysis of differences between areas and development types. The sources of this information included the website of developers themselves and other websites that focus on selling newly built residential property such as Rightmove, smartnewhomes.com and newhomesforsale.co.uk.

4.30 In addition to this, we also undertook in-depth analysis of the Land Registry data on residential sales prices. This gave achieved sales values broken down by dwelling type and enabled us to isolate 'new-build' houses from re-sales. It does not, however, provide information on floorspace and as such we used our analysis of properties currently being developed to inform assumptions on the average floorspace of each house type. In turn, this enabled us to draw conclusions of achieved sales values on a per sq. m basis.

4.31 Information on construction costs for residential development was gathered from the Building Cost Information Service (BCIS). Our build costs assumptions are considered to cover realistic costs for Code Level 4 which will meet the requirements of Policy 18 of the Core Strategy (Energy), although costs may alter in future.

4.32 Based on the findings from these sources, we arrived at initial conclusions with respect to each of the assumptions. These were then tested through a range of formal and informal consultations with a number of local house-builders and agents and revisions/additional scenarios were made to reflect comments received, where it was justified by evidence to do so.

Consultation

4.33 An integral part of the CIL process is to engage with stakeholders who have an active interest in the area, as well as those individuals who have an in-depth knowledge of the area in terms of values and so on. To date, two methods of consultation have taken place.

4.34 The first has been a series of informal telephone consultations with residential agents, commercial agents and developers. These were carried out at a relatively early stage in the project, to help us corroborate (or give cause to amend) our initial assumptions, based on analysis of transactional and other market data.

4.35 The second method was a more formal 'stakeholder workshop' for developers, agents, registered providers and other interested parties. The workshop was focussed around a presentation which set out the approach to the viability assessments and the assumptions that underpin them. Discussions took place in respect of each key assumption and adjustments were made to some assumptions following the workshop, where appropriate evidence was provided to warrant doing so. A short note summarising the comments made is included in Appendix B of this report.

Benchmark Land Value

4.36 Clearly, the value of a specific piece of land to a developer will vary significantly from one site to the next as a result of its unique characteristics, including:

- Size and shape;
- Topography and ground conditions;
- Location and potential sales values;
- Capacity of and ease of connection with surrounding infrastructure e.g. local utility networks;
- Whether the site is allocated in an adopted development plan and/or benefits from a suitable planning permission; and
- The nature of any planning permission and the level of any developer contributions that can reasonably be expected.

4.37 As such, it is inadvisable to be drawing detailed conclusions based on comparable evidence in isolation without: firstly a reasonable volume of transactions from which to consider averages and trends; and secondly without very detailed information on each of the transactions themselves that may help to explain why a particular value was achieved in that case.

4.38 Whilst our assessments seek to test a range of likely market conditions evident within Oldham, we also seek to ensure that, as far as is possible in all other respects, we are comparing like with like. Therefore, our assumptions in terms of land are that all sites will be cleared and remediated (if they are brownfield) and fully serviced parcels (if they are greenfield) so that in either scenario they are readily developable. For sites that are not in this condition, these costs would be subtracted from the gross land value in the offer that any rational developer would make to a landowner in any case. This approach reflects what happens in practice in land transactions and is an approach that has been found sound in examinations elsewhere.

4.39 We have gathered details on comparable residential land transactions in the area. This information has informed our assumptions in respect of land values, but was provided on a confidential basis and as such cannot be included as part of this report.

4.40 In respect of residential development land prices/values, we also took account of recent Valuation Office Agency (VOA) reports covering this issue. The VOA's Property Market Report did not include data specific to Oldham, but did include data for neighbouring Rochdale until the July 2009 report, at which time land values were considered to be c£1.3m - £1.45m per Ha.

4.41 The most recent report (January 2011) only provides residential land values for Manchester and Liverpool in the North West. It suggests land values in Manchester have fallen to £1.35m per ha for sites of 0.5ha. This equates to c40% of the July 2009 values of £3.5m per ha. It is reasonable to assume that the values for Oldham will have suffered a broadly equivalent fall, suggesting 2011 values in Oldham at circa £580,000 per ha. This data must be qualified, however, as it is unclear what level of affordable housing or other policy costs are taken into account in arriving at the values, they should be treated with some caution.

4.42 As a further layer of analysis, we have considered existing and alternative use values and the uplift factors/multipliers that can be applied to them to inform conclusions on residential land values. Of course, it is difficult to generalise about existing or alternative use values across a whole local authority, but we have sought to consider the principal uses that may be relevant.

4.43 Some of the land on which new residential development will take place is likely to be agricultural. The VOA's 2011 Property Market Report indicates that the highest average value agricultural land in the North West (specifically Lancashire) is worth approximately £17,290 per hectare. In order to inform residential land values, a multiplier of circa15 times agricultural values, plus the cost of on site infrastructure is often applied. This would give residential land values in the region of £510,000 per ha.

4.44 An alternative use for some sites being considered for residential development is for employment development. The 2009 VOA Property Market Report states that employment land in the borough typically has a value of £430,000 per ha. Allowing for value growth since that time (in line with nearby locations still covered in the latest version of the report) of 20%, this suggests current employment land values of £515,000. An uplift of circa 30% over this alternative use value is often used as a proxy for considering residential land values. This suggests residential land values of £670,000 per ha.

4.45 Alongside this desk based research we have also been supplied with some transactional data for a range of development types across Oldham. The data covers site sizes from 0.2ha up to approximately 1ha. The data reveals that recent transactions have achieved values in the region of £800,000 to £1.1m per ha. The sites are at various locations across the borough although primarily focussed within the urban area as opposed to the more rural areas as found in the Saddleworth wards.

4.46 We have sought to complement this information through consultation with local land agents and developers and have provided us with qualitative information on current perceptions in the local development industry of prevailing residential land values in Oldham. This has been in the form of both informal telephone consultations as well as a formal stakeholder workshop.

4.47 Following this extensive analysis and consultation we have assumed the following land values:

- £400,000 per net developable ha in low value areas;

- £900,000 per net developable ha in moderate value areas; and
- £1,500,000 per net developable ha in higher value areas.

4.48 For the purposes of the appraisals, land values for the 0.25ha modelling have been increased to reflect the fact there is generally a premium on smaller sites due to their lower risk profile. There is also greater competition for sites; a greater number of developers can bring smaller sites forward and policy costs associated with them are often much lower. We have therefore applied a 5% premium onto the figures above for the 0.25ha modelling.

4.49 Similarly, there are inherently greater risks involved in developing larger sites and, as such, somewhat lower values should be assumed. To reflect this, our 5ha modelling applies a 5% discount on the figures assumed for the 1ha modelling.

4.50 It is clear that these assumed values are higher than those of the existing/alternative uses considered above, and is likely to provide a more than adequate return to motivate a reasonable landowner to sell. We consider that these assumptions reflect what a readily developable residential site might achieve in current market conditions given a reasonable seller and a reasonable buyer.

Sales Values

4.51 In order to establish typical sales values in Oldham, we undertook a detailed review of new-build housing that is currently on the market in the borough. Information on the price and size of new houses and apartments has been gathered and used to determine a value per sq. m for each dwelling. These per sq. m values could then be averaged and used as the basis for analysis of differences between areas and development types.

4.52 The assessment of new build houses shows a clear split between the wards to the east of the Borough and those to the west. The wards of Saddleworth North, Saddleworth South and Saddleworth West and Lees consistently show higher sales vales compared to the remaining wards (confirmed in the heat mapping at figure 4.1 above).

4.53 The assessment of new build houses currently on the market revealed asking price values within a broad range between £1,569 and £3,333 per sq. m in the east of the borough. In the west of the Borough the prices are markedly lower at between £1,206 and £2,375 per sq. m. The average asking price for 2-storey houses in the east is £2,866 per sq. m with the average for the west being just £1,894 per sq. m.

4.54 Three-storey townhouses are typically less valuable when assessed at a per sq. m basis. There are no examples of townhouses currently being marketed in the east of the Borough. When townhouses are included in the assessment of the west of the Borough the average sales value falls to £1,700 per sq. m. This reflects their unpopularity with buyers in the current market. It should also be noted, however, that build costs on a per sq. m basis for townhouses are substantially lower than for 2 storey houses.

4.55 There were no apartments being marketed in the west of the Borough. This is likely to be due to the higher development costs and the low values that are being achieved in this area. Apartments are currently being marketed in the east of the Borough. Of the few examples found the average value came to a similar amount as the houses. The average for apartments in the east of the Borough is £2,812 per sq. m.

4.56 It must be noted that the figures shown above are asking prices for properties and not achieved values. We must therefore apply a discount of 5-10% to reflect the likely values achieved after discounts are offered to the buyer. Applying a 5% discount gives values of £2,723 per sq. m in the east and £1,615 per sq. m in the west. A 10% discount gives values of £2,579 per sq. m in the east and £1,530 per sq. m in the west. If townhouses are excluded, the figure for the west of the Borough at 10% discount is £1,705 per sq. m.

4.57 Applying the same discounts to apartments gives values of £2,723 per sq. m and £2,531 per sq. m respectively.

4.58 Alongside this market research we have also sought to inform our assumptions with achieved sales values as provided by the Land Registry. Analysis of the Land Registry data, again, highlights the east to west split in sales values. Our analysis is summarised in the table below.

Table 4.1 Land Registry Analysis

Dwelling Type	East	West
Detached	£2,592 per sq. m	£1,694 per sq. m
Semi Detached	£2,183 per sq. m	£1,568 per sq. m
Terraced	£2,522 per sq. m	£1,730 per sq. m
Apartment	£2,627 per sq. m	£1,852 per sq. m

4.59 These figures are broadly in line with the discount-adjusted asking prices currently marketed as highlighted above.

4.60 On the basis of these analyses, we propose to model three levels of sales values as part of this study. The three values will be as follows.

- £1,600 per sq. m in lower value areas;
- £2,000 per sq. m in moderate value areas; and
- £2,500 per sq. m in higher value areas.

4.61 Values for apartments seem to show the development product is slightly more valuable on a per sq. m basis. We have therefore assumed the following values for apartment developments.

- £1,850 per sq. m in lower value areas;
- £2,150 per sq. m in moderate value areas; and
- £2,650 per sq. m in higher value areas.

Build Costs

4.62 An important input is the build costs associated with bringing forward a new residential development, for this we utilise the BCIS database which provides build cost data that is indexed for specific locations. The figures are correct as of June 2014.

4.63 The basic build cost using the 'Estate Housing Generally' and 'Estate Housing 2 storey' category of BCIS indexed for Oldham are £800 per sq. m and £805 per sq. m respectively. We consider that these figures reflect the cost implications of current building regulations. This figure is assumed to be the basic build cost for the lower value areas. In order to reflect the higher specifications likely to be brought forward in the moderate and higher value areas we apply an uplift of 2.5% to each in order to come to a revised build cost figure. The assumed build costs are as follows.

- £800 per sq. m in lower value areas;
- £820 per sq. m in moderate value areas; and
- £840 per sq. m in high value areas.

4.64 It is suggested that the build cost figures identified above will be sufficient to meet the current policy requirements set out in the Core Strategy in Policy 18.

Affordable Housing

4.65 In line with the Regulations, we must undertake development appraisals at full policy levels of affordable housing. The affordable housing requirement is set out in Policy 10 of the Adopted Core Strategy. Policy 10 states '*All residential development of 15 dwellings and above, in line with national guidance, will be required to provide an appropriate level of affordable housing provision. The current target is for 7.5% of the total development sales value to go towards the delivery of affordable housing, unless it can be clearly demonstrated to the council's satisfaction that this is not viable.*' This methodology is slightly different to how our modelling works where a percentage of the dwelling numbers is provided as affordable housing.

4.66 Sensitivity analyses has been undertaken within the modelling and we have calculated that 7.5% of GDV equates to approximately 20% affordable housing provision in our modelling. This is the assumption that has been used for the study.

4.67 The split of affordable housing is not prescribed by the Core Strategy. For the purposes of our modelling we have assumed a tenure split of 75% affordable/social rented and 25% to be intermediate affordable housing. Intermediate affordable housing has been given an assumed value of 40% of open market value (OMV) and affordable/social rented a value of 70% OMV.

Other assumptions

4.68 In addition to those set out above, a range of other assumptions must be made and inputted into the modelling. These assumptions are informed by industry standard practice and have been tested through consultations with local active agents and developers. They are as follows.

- External works – 10% of basic build cost identified above;
- Professional fees – 10% of basic build cost plus external works;
- Contingency – 5% of basic build cost, external works and professional fees;
- Sales agent fee – 1.25% of private unit GDV;
- Sales legal fee – £600 per unit;
- Sales marketing fee – £1,000 per private unit;
- Land agent fee – 1% of GDV;
- Land legal fee – 0.5% of GDV;
- Stamp duty – 0% on site value up to £125,000, 1% on sites of £125,000-£250,000, 3% on sites of £250,000-£500,000 and 4% on sites over £500,000;
- Finance costs – 7% p.a;
- Sales rates – 1 – 3 units per quarter (depending on site size and location); and
- Profit – 20% of GDV on private market units, 6% of GDV on affordable units.

Findings

4.69 Using the assumptions outlined in the previous section, we have undertaken viability modelling for sites of 0.25ha, 1ha and 5ha. These three site sizes have been tested in the three value areas identified in our research above, and reflect the typical range of sites and market conditions seen in Oldham. The findings of these viability appraisals are set out in table 4.2 below.

4.70 The key information shown in the summary tables is as follows:

- Site area (per ha) – This is the net developable site area on which the indicative schemes have been tested against. For the 0.25ha the gross to net ratio is 100%, for the 1ha site it is 90% and for the 5ha site it is 70%.
- Residual value – This is the value that is calculated by the model. It represents what a developer is able to afford to pay for the site once all values and costs are taken into consideration.
- Benchmark value – This is an assumption that has been gathered through our research and represents a figure that a willing landowner would accept for a site.
- Overage – This is simply the residual value less the benchmark value and represents the ‘super profit’ from which a CIL charge can be drawn. The figure shown is technically the maximum possible charge rate possible.

Table 4.2 Residential Summary Findings

0.25ha

Site	Site area per ha	CIL Chargeable GIA sq m	Residual value per ha	Residual value per sq m	Benchmark land value per ha	Benchmark land value per sq m	Overage per ha	Overage per sq m
Low value	0.25	720	£311,944	£108	£420,000	£146	-£108,056	-£38
Moderate value	0.25	700	£1,145,087	£409	£945,000	£338	£200,087	£71
High value	0.25	660	£2,047,760	£776	£1,575,000	£597	£472,760	£179

1ha

Site	Site area per ha	CIL Chargeable GIA sq m	Residual value per ha	Residual value per sq m	Benchmark land value per ha	Benchmark land value per sq m	Overage per ha	Overage per sq m
Low value	0.90	2,592	£287,495	£100	£400,000	£139	-£112,505	-£39
Moderate value	0.90	2,520	£1,062,900	£380	£900,000	£321	£162,900	£58
High value	0.90	2,376	£1,916,562	£726	£1,500,000	£568	£416,562	£158

5ha

Site	Site area per ha	CIL Chargeable GIA sq m	Residual value per ha	Residual value per sq m	Benchmark land value per ha	Benchmark land value per sq m	Overage per ha	Overage per sq m
Low value	3.75	10,800	£312,792	£109	£380,000	£132	-£67,208	-£23
Moderate value	3.75	10,500	£1,011,746	£361	£855,000	£305	£156,746	£56
High value	3.75	9,900	£1,777,119	£673	£1,425,000	£540	£352,119	£133

Apartments

4.71 Apartment developments have been particularly badly affected by the recent recession. In particular, the restrictions on the availability of mortgage finance have been most severe on those seeking to purchase lower price homes, especially apartments. As such, apartments have suffered a significant fall in sales values over the last 5 years. This is compounded by the fact that many of the main regional cities were significantly over-supplied with apartments through the development boom of the late 1990s and early 2000s. Another compounding factor is that banks are also reluctant to lend money to develop apartments on the basis that they are seen as too risky as a result of the factors mentioned previously.

4.72 This conclusion is supported by the fact that very few apartments are currently being developed in Oldham. Where they are being built, they tend to be in the very highest value areas, where prospective purchasers are unlikely to have problems with access to mortgage finance. Furthermore, the sentiment of local developers and agents was that they were not looking to develop apartments in current market conditions.

4.73 Nonetheless, we have undertaken sample appraisals of hypothetical apartment schemes. The site area is in line with the smallest housing development scenario assessed above at 0.25 ha and the density is 80 dwellings per ha. Our findings are set out in table 4.3 below.

Table 4.3 Apartment Summary Findings

0.25ha apartment

Site	Site area	CIL Chargeable GIA	Residual value		Benchmark land value		Overage	
	per ha	sq m	per ha	per sq m	per ha	per sq m	per ha	per sq m
Low value	0.25	847	-£382,272	-£113	£400,000	£118	-£782,272	-£231
Moderate value	0.25	941	£318,309	£85	£900,000	£239	-£581,691	-£155
High value	0.25	1,129	£1,817,742	£402	£1,500,000	£332	£317,742	£70

Summary

4.74 In summary the appraisal findings show that housing development is currently viable in moderate and higher value areas. There is scope for CIL to be introduced for houses in these areas. In lower value areas, the findings show that houses are marginally unviable and that there should be no CIL charges in these areas.

4.75 For apartment development, only the highest value areas are shown to be viable and therefore able to accommodate a CIL charge.

4.76 Analysis of potential charge rates is undertaken later in this report.

5 OFFICE AND INDUSTRIAL VIABILITY

5.1 This section of the report sets out our findings with respect of office and industrial development in Oldham. It considers current market conditions, shows how we arrive at the assumptions that feed into our viability assessments and draws conclusions on the viability of office development.

5.2 As previously stated, central to the assessments is the need to gather robust market data. This section of the report therefore, sets out the sources of information that have informed the assumptions that underpin the viability assessments in relation to office and industrial uses, along with their assumptions as well.

Market Overview

Office

5.3 There is a reasonable volume of office stock generally within the Borough, with space located primarily in Oldham, Chadderton and Failsworth. Space is less common in the rural areas of Delph, Saddleworth, Shaw and so on. There is a range of office space available of differing quality.

5.4 Notable business park areas include Hollinwood Business Centre, Oldham Broadway Business Park, Salmon Fields Business Village, Whitegate Business Park and Boarshurst Business Park. Each of these premises are relatively new and reflect the typical office accommodation available across the Borough. A review of recent transactions on Focus CoStar reveals achieved rents in the region of £50 - £60 per sq. m (£4.60 - £5.50 per sq. ft) however we do not consider these to be representative of the types of values a developer would want to achieve in bringing forward development.

5.5 Hollinwood Business Centre consistently achieves rental figures over £100 per sq. m (£9.30 per sq. ft). One example for a 302 sq. m (3,250 sq. ft) unit in Hollinwood Business Centre achieved £113 per sq. m (£10.50 per sq. ft) on a five year lease. It is felt that these values better represent the values a developer would look to achieve when bringing forward a development.

5.6 Office space within Oldham range from small units (15 sq. m/150 sq. ft) through to large units (650 sq. m/7,000 sq. ft) and to some exceptional examples of significant space such as those found in Broadway Business Park (1,150 sq. m/12,500 sq. ft).

5.7 Whilst it is difficult to determine yields from the transactional data, when taken into account alongside evidence gathered through consultations with local agents, as well our understanding of the area and other similar locations, we would expect office yields to be in the region of 9% for speculative development.

Industrial

5.8 As with the office sector, the supply of industrial floorspace is relatively extensive. Of the transaction data that was available, industrial provision is located across the

Borough. The stock that the transaction data has highlighted covers a broad range of site types and sizes from small workshop units through to large warehouse units. The largest unit transaction that took place in the data collected was for 6,371 sq. m (68,570 sq. ft) of storage space. The achieved rent was relatively low compared to the norm at £8 per sq. m (£0.75 per sq. ft).

5.9 In general the rental values seen in the data are broadly similar to those figures experienced across most of Greater Manchester. Transactions where the units were of a significant size and were let on a longer term lease would appear to achieve between £40 and £50 per sq. m (£3.70 to £4.65 per sq. ft).

5.10 Notable sites that have been highlighted in the transactional data include The Acorn Centre, Cromford Business Centre and Belgrave Industrial Estate, although the data covers a far reaching range of industrial sites.

5.11 Industrial yields have been badly affected by the long term decline in the manufacturing sector, with the economic downturn having a further impact. Whilst there are areas of the country that are seeing a resurgence in manufacturing, Greater Manchester has not witnessed the same growth. To this end we would expect yields for new speculative industrial development to be in the region of 8.5% to 9%.

Assumptions

Information Sources

5.12 The approach taken to establishing the likely values of new development was to review recent rental and investment transactions in Oldham. The transactional data was derived from the Focus CoStar database, which provides details of the vast majority of transactions, broken down by use. The information includes some or all of the following:

- The address of the property;
- Names of the lessor and lessee and their respective agents;
- The size of the property;
- The length of the lease and other key terms;
- Quoting and/or the achieved rental value on leases; and
- The price paid/capital value and yield on investment purchases.

5.13 The analysis of transactional data from Focus/CoStar focussed specifically on more modern accommodation in similar locations to where future growth is envisaged, wherever possible, so that the information gathered from the transactions is most relevant and comparable to the types and locations of development likely to occur.

5.14 Where adequate volumes of transactional data for directly comparable property was not readily available, assumptions were based on informed judgement as to the likely values that new development (of the type envisaged and in the locations proposed) would attract, combined with findings of consultations with agents and developers.

5.15 Cost data for office and industrial development types have principally been sourced from the BCIS index of construction prices. This provides build costs for a wide range of different forms of development indexed for Oldham.

5.16 In addition to transactional data that provided intelligence on prevailing yields for different property types in Oldham, we also took account of recently published market commentaries by major commercial property agents. Most notable amongst these was CBRE's 'UK Prime Rent and Yield Monitor Q3 2013'. As necessary, adjustments were made to the figures quoted by CBRE to take account of the relative attractiveness of Oldham and its prime locations.

5.17 Once we had drawn initial conclusions as to the likely rental values and yields of each development type, a series of consultations with local agents and developers who are active in the Oldham market were undertaken. This was carried out in order to test the assumptions, with revisions made to reflect comments received where it was justified by evidence to do so.

5.18 The assumptions on land and purchase costs have been derived from the Valuation Office Agency's Property Market Reports, specifically the July 2009 version (the most recent to include figures for Oldham) and the January 2011 version (the latest report, but which only provides figures for Manchester and Liverpool in the North West). These reports provide information on the value of a cleared development site situated in an established industrial location with a site area of 0.5 to 1.0 ha. In addition, it has been assumed that development will be restricted to industry or warehousing and other provisions based on market expectations for the locality. This information was supplemented by consultations with local agents and developers.

5.19 Circumstantial evidence on the appetite for development was also taken into account. An absence of existing buildings or proposals for certain types of development which might be expected to be acceptable in suitable locations is taken at face value that achieving viability is a challenge.

Value Assumptions

5.20 In the calculations we have used 'readily available evidence', which has been informed and adjusted by an assessment of local transactions and market demand. This kind of strategic viability assessment involves a high degree of generalisation. Taking this into consideration, the assumptions adopted in this assessment are intentionally cautious and in most circumstances the approach will return a more conservative estimate of what is viable and what is not.

Table 5.1 Office and Industrial Assumptions

Development Type	Assumption	Value
Town Centre Offices	Rent per sq. m	£120
	Yield	9%
	Build cost per sq. m	£1,200
	Benchmark land value (per ha)	£1,250,000
Business Park Offices	Rent per sq. m	£130
	Yield	8.25%
	Build cost per sq. m	£1,000
	Benchmark land value (per ha)	£450,000
Industrial and Warehousing	Rent per sq. m	£55
	Yield	9%
	Build cost per sq. m	£600
	Benchmark land value (per ha)	£400,000

5.21 Our viability assessments, as well as the Oldham specific assumptions, rely on a number of industry standard assumptions. These assumptions are as follows:

- Professional fees at 10% of build costs;
- Likely residual s.106/278 contributions based on experience of developments elsewhere and the type of development expected to come forward in Oldham;
- Marketing and cost of sales at 5% of development value;
- Contingency at 5% of costs;
- Interest at 7% on all costs (excluding developer's margin); and
- Developer's margin at 20% of cost.

Findings

5.22 The findings of the office and industrial viability assessments are set out in table 5.2 below. The appraisals work on the assumption of an indicative scenario that may come forward on a typical site. The value is a function of prevailing rental levels, capitalised using an assumed yield relevant to the use and the location, less the value of any likely inducements such as rent free periods.

5.23 Costs take account of land acquisition costs, build costs, professional fees and all other associated development costs. No CIL charge is shown at this stage, although an estimate of likely S106 costs is included, based on our experience of developments across the borough.

Table 5.2 Office and Industrial Summary Findings

	GIA	NIA	Net site area ha	Residual value		Benchmark		CIL Overage	
				Per Ha	Per £psm	Per Ha	Per £psm	Per Ha	Per £psm
Town Centre Office	6,000	5,100	0.25	-£18,188,229	-£758	£1,250,000	£52	-£19,438,229	-£810
Business Park Office	4,000	3,400	0.50	-£3,531,823	-£441	£450,000	£56	-£3,981,823	-£498
Industrial and Warehousing	4,000	3,800	1.00	-£1,487,831	-£372	£400,000	£100	-£1,887,831	-£472

Offices

5.24 As can be seen in table 5.2 'pure' office development is not currently viable in the town centre on the basis of the assumptions made. Business park office development is showing to be unviable however not to the same extent as town centre developments. It is therefore unlikely that speculative office developments will take place in current market conditions.

5.25 That is not to say that no office development will take place in Oldham for the foreseeable future, however. There are cases where a developer can attract a substantial pre-let before construction begins; or space is sought by an owner occupier where their property needs have changed. Examples like this may well lead to office development taking place.

5.26 The development economics for owner occupiers are quite different to that for speculative development. The driver for new development of office premises by owner occupiers is often to achieve business efficiencies, rather than to generate development profit; as such development by owner occupiers remains a distinct possibility. Furthermore, office floorspace could be delivered as part of a mixed use development which could be cross-subsidised by more viable uses.

Industrial and Warehousing

5.27 We have concluded that, based on our research and the assumptions made, speculative industrial and warehouse development is not currently viable. However, as we note with regards to offices, development by owner occupiers remains a possibility even in current market conditions.

5.28 It is also likely that wider economic conditions will improve over the plan period. This will have a materially beneficial impact on the viability of office development in Oldham because the perceived risk will fall and yields will fall accordingly, whilst rental values are also likely to rise as businesses seek to grow, demand more space and hold on to smaller cash reserves.

6 RETAIL VIABILITY

6.1 In this section, we provide an overview of recent market developments, perform a viability assessment of retail development and use this analysis to make recommendations about a sensible level of CIL charges for these uses. Our assessments are based on different types of retail development likely to take place in Oldham, each of which has materially different key viability assumptions, in particular rental values, yields, build cost and land value.

6.2 In order to provide greater clarity over the types of development being tested we have produced a set of definitions outlining each development type.

Definitions

6.3 The types of development assessed are:

- High Street Comparison Retail – High street comparison retail development will usually involve redevelopment of existing buildings to provide new retail accommodation that better meets the demands of modern retail businesses. Typically such development will provide a wide range of unit sizes, including one or two large spaces for ‘anchor tenants’ and a much larger number of small spaces. They will typically have frontage on to areas of high footfall, aiming to capture the passing trade of shoppers on foot, who are also likely to visit other stores and other parts of the centre, many of whom will arrive in the centre by non-car modes.
- Retail Warehouses – Retail warehouses are usually large stores specialising in the sale of household goods (such as carpets, furniture and electrical goods), DIY items and other ranges of goods. They can be stand-alone units, but are also often developed as part of retail parks. In either case, they are usually located outside of existing town centres and cater mainly for car-borne customers. As such, they usually have large adjacent, dedicated surface parking.
- Supermarkets – Supermarkets are large convenience-led stores where the majority of custom is from people doing their main weekly food shop. As such, they provide a very wide range of convenience goods, often along with some element of comparison goods. In addition to this, the key characteristics of the way a supermarket is used include:
    - The area used for the sale of goods will generally be above 500 sq. m.
    - The majority of customers will use a trolley to gather a large number of products;
    - The majority of customers will access the store by car, using the large adjacent car parks provided; and
    - Servicing is undertaken via a dedicated service area, rather than from the street.

- Neighbourhood Convenience - Neighbourhood convenience stores are used primarily by customers undertaking 'top-up' shopping. They sell a limited range of convenience goods and usually do not sell comparison goods. The key characteristics of their use include:
    - Trading areas of less than 500 sq. m;
    - The majority of customers will buy only a small number of items that can be carried around the store by hand or in a small basket;
    - The majority of customers will access the store on foot and as such there is usually little or no dedicated parking; and
    - Servicing is often undertaken from the street, rather than dedicated service areas.

6.4 In addition to the above, some development of smaller scale convenience retail space in out of centre locations may take place, although it is unlikely to be as significant in scale. Often, such uses occupy buildings being converted to retail use, rather than the new development providing net additional floorspace. As such, these developments would not attract a CIL charge if one was put in place. These stores tend to be located within residential areas and provide only a limited range of convenience goods. Their catchment is very localised and they cater principally for 'top-up shopping' comprising a small number of items that can be carried by hand or in a small basket. The vast majority of custom will access the store on foot and as such there are no large adjacent car parks. Any development of this type is unlikely to generate significant value as a commercial property proposition to warrant specific assessment for the purposes of CIL.

Market Overview

High Street Comparison

6.5 With the exception of Central London, town centre (high street) comparison retailing in the UK is in a period of transition. The majority of comparison retail-led town centre regeneration schemes have stalled due to a combination of weak consumer demand, constraints on investment capital and poor retail occupier performance. There have been a number of insolvencies, and the traditional high-street operators are frequently struggling, particularly in secondary retail locations such as those in borough's local centres.

6.6 Colliers midsummer retail market report 2013[26] states that 'High Street units in secondary and tertiary locations are continuing to struggle and there is little evidence to suggest that this will change in the short term. The low level of investor demand is exacerbated by the high level of voids, as retailer casualties continue and others cannibalise their stores, the predominantly over rented nature of many of the investments and the lack of short term rental growth'.

[26] http://www.colliers.com/en-gb/uk/services/retail/midsummer-retail-report-2013

6.7 Developers in the sector have therefore been going through a process of redesigning existing schemes in order to make them deliverable in the current economic climate and more appropriate to future consumer demand. This has often involved reducing the scale of potential developments and targeting better quality, financially stable retail operators.

6.8 Oldham is following the trend of other retail centres. From the market research that has been carried out it can be seen that the retail market is one that is struggling, and relatively few transactions are taking place.

6.9 It is difficult to model the viability of town centre retail development as values are usually more sensitive to location and size of unit than office or residential development. Operators are very sensitive to footfall patterns which can lead to large variations in values – even on the same street. Our response is therefore to adopt 'overall' rental values to understand the broad potential range of comparison retail viability in the borough's town centres and also an examination of development outside of the main shopping area using a broad average.

6.10 Rental values in town centre retail units can vary significantly on a per sq.m basis according to a number of factors, particularly the location, quality and size and configuration of the units. In particular, the proportion of Zone A[27] floorspace will have a significant impact on rental values considered on an overall basis.

6.11 Oldham is the main retail centre in the borough and contains a number of national retail multiples and has the greatest volume of recent transactional evidence on which to base rent assumptions. The prime retail area of Oldham is focussed around the Spindles Shopping Centre.

Retail Warehouse

6.12 We have also considered retail warehouse development. This is commonly located out of centre, often on or close to major transport interchanges. It has been less prevalent in recent years as a result of the weakness in the wider economy that has reduced retail spending and led to several notable failures in the retail warehouse sector. However, there is still the potential for such development.

6.13 Retail warehousing traditionally offered bulky comparison goods. These are large stores specialising in the sale of household goods (such as DIY items and other ranges of goods catering mainly for car-borne customers). As a property class it has continued to perform relatively well with new operators entering the sector which has had a beneficial impact on values and viability.

Supermarket

6.14 Supermarkets cover the provision of everyday essential items including food, drinks, newspapers/ magazines and confectionary. The sector is dominated by superstores

[27] High Street retail premises are divided into zones of 6.1m/20 ft from the frontage. Zone A is closest to the frontage; Zone B is the next 6.1 metres, then Zone C and so on until the whole retail area is allocated to a zone. Valuation convention is Zone B will have half the value of Zone A; Zone C will have half of the value of Zone B and so on.

and supermarkets which offer a wide range of these types of goods with supporting car parking.

6.15 The supermarket sector is one of the best performing investment assets in the UK, with the main operators seeking to expand and seek a greater degree of market share by the development of new store formats and the securing of prime locations both in town and out of town. As such, these are the basis of the viability assessments in terms of key assumptions. Smaller stores will attract lower rental values and will have high yields, and will therefore be substantially less valuable. Small 'neighbourhood' convenience stores are therefore excluded from this assessment and tested separately.

6.16 Within supermarket retail, viability is remarkably insensitive to precise location. Data from CBRE shows that grocery viability is similar in locations throughout the UK with a premium being paid for schemes in London. There is very little investment adjustment (around 1% on yield) between major supermarket developments based on the transactional evidence for leases of similar length and terms. Although there are some small regional variations on yields, they remain strong across the board with investors focussing primarily on the strength of the operator covenant and security of income. We would therefore suggest the evidence base for convenience retail can be approached on a wider regional or even national basis when justifying CIL charging.

6.17 Leases to the main supermarket operators (often with fixed uplifts) command premiums with investment institutions.

Assumptions

6.18 This section of the report sets out the sources of information that have informed the assumptions that underpin the viability assessments in relation to retail uses, along with the assumptions themselves.

Information Sources

6.19 The approach taken to establishing the likely values of new development was to review recent rental and investment transactions in Oldham. This reflects the process used for office and industrial development as described in Section 5.

6.20 Cost data for retail development types has principally been sourced from the BCIS index of construction prices. This provides build costs for a wide range of different forms of development indexed for Oldham.

6.21 In addition to transactional data that provided intelligence on prevailing yields, we also took account of recently published market commentaries by major commercial property agents. Most notable amongst these was CBRE's 'Prime Rent and Yield Monitor Q3 2013'. As necessary, adjustments were made to the figures quoted by CBRE to take account of the relative attractiveness of Oldham and its prime locations.

6.22 Once we had drawn initial conclusions as to the likely rental values and yields of each development type, a series of consultations with local agents and developers who are active in the Oldham market were undertaken. These were in order to test the assumptions made, revisions were made to reflect comments received where it was justified by evidence to do so.

6.23 The assumptions on land and purchase costs have been derived from the Valuation Office Agency's Property Market Reports, specifically the July 2009 version and the January 2011 version (the latest report, but which only provides figures for Manchester and Liverpool in the North West). This information was supplemented by consultations with local agents and developers.

6.24 Circumstantial evidence on the appetite for development was also taken into account. An absence of existing buildings or proposals for certain types of development which might be expected to be acceptable in suitable locations is taken as face value evidence that achieving viability is a challenge.

Value Assumptions

6.25 In the calculations we have used 'readily available evidence', which has been informed and adjusted by an assessment of local transactions and market demand. This kind of strategic viability assessment involves a high degree of generalisation. Therefore the assumptions adopted in this assessment are intentionally cautious and in most circumstances the approach will return a more conservative estimate of what is viable and what is not.

Table 6.1 Retail Assumptions

Development Type	Assumption	Value
High Street Comparison Retail	Rent per sq. m	£250
	Yield	8.0%
	Build cost per sq. m	£850
	Benchmark land value (per ha)	£7,500,000
Retail Warehouse	Rent per sq. m	£160
	Yield	7.5%
	Build cost per sq. m	£500
	Benchmark land value (per ha)	£2,000,000
Supermarket	Rent per sq. m	£200
	Yield	5.0%
	Build cost per sq. m	£1,000
	Benchmark land value (per ha)	£3,000,000
Neighbourhood Convenience Retail	Rent per sq. m	£150
	Yield	6.5%
	Build cost per sq. m	£660

	Benchmark land value (per ha)	£900,000

6.26 Further assumptions are as follows:

- External works at 10% of build cost;
- Professional fees at 10% of build costs, depending on use;
- Likely residual s.106/278 contributions based on experience of developments elsewhere and the type of development expected to come forward in Oldham;
- Marketing and cost of sales at 5% of development value;
- Contingency at 5% of costs;
- Interest at 7% on all costs (excluding developer's margin); and
- Developer's margin at 20% of cost.

Findings

6.27 We have produced indicative development appraisals for the four different types of retail development. The results of our assessments are summarised in table 6.2 below.

Table 6.2 Retail Summary Findings

			Net site	Residual value		Benchmark		CIL Overage	
	GIA	NIA	area ha	Per Ha	Per £psm	Per Ha	Per £psm	Per Ha	Per £psm
High Street Comparison Retail	6,000	5,100	0.50	£7,695,446	£641	£7,500,000	£625	£195,446	£16
Retail Warehouse	4,000	3,600	1.00	£2,422,771	£606	£2,000,000	£500	£422,771	£106
Supermarket	4,000	3,600	1.00	£3,918,295	£980	£3,000,000	£750	£918,295	£230
Neighbourhood Convenience	1,200	1,080	0.20	£1,106,331	£184	£900,000	£150	£206,331	£34

High Street Comparison Retail

6.28 Oldham's town centres are experiencing the same pressures as other retail destinations following the economic downturn and the difficulties facing a number of national retailers. Viability for new build comparison retail-led town centre schemes is marginal or unviable across many town and city centres.[28]

6.29 It is difficult to accurately estimate likely land acquisition costs, which are a major factor in redevelopment projects, given the fact that a large number of sites often have to be assembled. Land acquisition is often the principal barrier to town centre retail developments, in both practical and viability terms.

6.30 Our analysis suggests that high street comparison retail development within Oldham is currently viable, but only marginally so. Therefore, any improvement in the market as retail spending increases and confidence returns to the sector could lead to a rise in rental values and/or strengthening yields which may mean that this kind of development becomes viable in Oldham. Whether any CIL charge is appropriate in such circumstances, however, remains questionable.

[28] Financial Times December 29 2011 *UK retail insolvencies expected to soar*

Retail Warehousing

6.31 Our assessment of out of centre comparison retail is based on retail warehouse type developments. It assumes a typical scheme away from the defined town centres. Construction costs and rental values for retail warehousing are generally lower than for superstores, whilst yields are higher, reflecting the fact that some operators in the out of town retailing sector have struggled and failed during the recent recession. That said, other operators continue to perform strongly and are continuing to invest in additional retail warehouse space.

6.32 The assessment shows that retail warehouses generate a surplus that could support a potential CIL charge.

Supermarkets

6.33 Supermarkets continue to be one of the best performing sectors in the UK. Leases to the main supermarket operators (often with fixed uplifts) command premiums with investment institutions. Our testing of supermarkets has focussed on larger out of town grocery stores. Nevertheless our evidence base would suggest rents and yields are broadly similar to those achieved for supermarkets by major operators in smaller format stores in city/town centres. Whilst development costs are relatively high, the strength of covenant provided by their operators and the rents that they achieve outweighs these costs.

6.34 We have concluded that supermarkets are viable in Oldham and generate a significant level of surplus.

Neighbourhood Convenience Retail

6.35 Neighbourhood convenience are generally a store type that is brought forward in conjunction with a major residential development that suggests the inclusion of a neighbourhood centre in the masterplan. These smaller format stores tend to attract a wider range of convenience retail and usually on lease terms that are shorter term than those attributed to supermarket retail. Therefore the rent and yield assumptions are not as valuable. Whilst the potential values of a neighbourhood convenience retail development are not as high as supermarket retail, they still achieve a level that maintains viability, if only a small overage.

6.36 Based on our calculations we have concluded that neighbourhood convenience retail development in Oldham is viable and is able to accommodate a small CIL rate.

7 EDUCATION, HEALTH AND COMMUNITY FACILITIES

7.1 We see this category as including, but not necessarily being limited to:

- Schools, including free schools;
- Community facilities, including community halls, community arts centres, and libraries;
- Medical facilities; and
- Emergency services facilities.

Viability Analysis

7.2 A number of these facilities may be delivered in the borough over the plan period and would potentially occupy net additional floorspace (thereby creating development which is liable for CIL).

7.3 We do not recommend that the Council proposes to levy a CIL charge on these uses, for the following reasons.

- Ordinarily it is not possible to deliver new capital build state-led community, health, emergency services or education projects (including free schools, which are state provided) without funding support of the type that CIL is hoping to create. Raising a CIL against these uses would simply result in a circular funding stream that would require a return of the CIL funds raised to these uses. This would, amongst other things, incur management costs and so be inefficient.
- Completed developments of these types are not commercial in nature. They do not have a commercial value in themselves. They therefore do not create a residual site value. In other words, considered from a commercial perspective, such developments are not viable.
- Non-state education projects such as private schools generally have charitable status. They will therefore be exempt from CIL. There is therefore no point breaking out a separate charge in the schedule.

7.4 There is the exception of primary care facilities that are predominantly occupied by GPs. There is a commercial market for properties of this sort. We have analysed the price paid for completed investments across the country by specialist investments in the field and concluded that, again, the sites used are usually sourced on a preferential basis and the land values generated are not significant in most cases. It is possible that privately-funded BUPA-type health provision might be developed, but this is likely to be of limited scale.

7.5 Given that these facilities are commonly not commercially-driven developments, it is considered that there can be no evidence to justify a CIL charge. Indeed, there is simply no evidence to suggest that ‘value capture’ could be achieved from such uses which usually require public funding to be delivered.

8 SUI GENERIS USES

8.1 By their very nature, sui generis uses cover a very wide range of development types. Our approach to this issue has been to consider the types of premises and location that may be used for sui generis uses and assess whether the costs and value implications have any similarities with other uses.

Development Types and Viability

8.2 For the purpose of this study we have considered the following additional types of development across the borough:

- Scrapyards – the likelihood of new scrapyard/recycling facilities in the borough is low. Even with the rising prices in scrap metal and other recyclable materials they are unlikely because of the comparatively low value compared to existing uses across Oldham. There is also no demand anticipated for scrapyards in the foreseeable future. A future consideration is that these uses are likely to occupy similar premises as many B2 uses and therefore viability will be covered by the assessments of B2 use viability.
- Petrol Filling Stations – the large majority of petrol filling stations that come forward at present are generally alongside supermarket development proposals. It is of our opinion that petrol filling stations are not a likely development product to be brought forward in the near future.
- Selling and/or displaying motor vehicles – car forecourts are prevalent in parts of Oldham, most notably near Oldham town centre. These type of premises are likely to occupy similar locations as B2 uses. The viability of these types of developments will be covered under the B2 viability assessment.
- Nightclubs – these uses are likely to be in the same type of premises as A1 town centre retail uses, covering similar rental and purchase costs. They are therefore considered to be covered by this viability assessment.
- Taxi businesses – these uses are likely to be in the same type of premises as A1 town centre retail uses and covering the same purchase and rental costs. A1 uses are covered previously in this viability assessment.
- Amusement centres – these uses are likely to be in the same type of premises as A1 town centre retail uses and covering the same purchase and rental costs. Therefore they are covered by this viability assessment.
- Casinos – under the current law, casinos can only be built in 53 permitted areas[29] or one of the 16 local authorities allocated one of eight large and eight small

[29] Currently casinos may only operate in 53 "permitted areas" set out in the Gaming Club (Permitted Areas) Regulations 1971 (SI 1538). In England and Wales these areas are: Birkenhead, Birmingham, Blackpool, Bolton, Bournemouth, Bradford, Brighton, Bristol, Cardiff, Coventry, Derby, Dudley, Great Yarmouth, Hove, Huddersfield, Kingston upon Hull, Leeds, Leicester, Liverpool, London, Luton, Lytham St Annes, Manchester, Margate, Newcastle upon Tyne, Northampton, Nottingham, Plymouth, Portsmouth, Ramsgate, Reading, Ryde, Salford, Sandown/Shanklin, Scarborough, Sheffield, Southampton, Southend-on-Sea, Southport, Stockport, Stoke-on-

casinos under the provisions of the Gambling Act 2005. For a casino to be built in Oldham the council would have to apply for a special license and undertake a public consultation. We are not aware of any specific proposals for a casino in Oldham at the present time.

Scope for CIL

8.3 It is important to note that the above list is not exhaustive, it is not possible to fully anticipate the levels and type of development that will come forward and so there is the possibility for unforeseen applications being submitted.

8.4 Given the minimal scale of development likely to occur for these uses, the likelihood is that they will be changes of use rather than new development. As a result of this, and their relatively marginal viability, we propose a nil rate.

Trent, Sunderland, Swansea, Teesside/Middlesbrough, Torbay, Walsall, Warley, West Bromwich and Wolverhampton.

9 CIL CHARGES & REVENUE PROJECTIONS

9.1 This section of the report sets out how we approach identifying potential CIL charging rates based on the viability evidence presented above. This is achieved by first establishing the maximum potential rates that are consistent with maintaining the viability of the bulk of development planned in the Core Strategy. We then need to draw down from the theoretical ceiling in order to ascertain an acceptable level of CIL.

9.2 This exercise is carried out separately for residential and non-residential uses, bringing the final conclusions together in a summary table which will form the basis of the preliminary draft charging schedule.

Residential Charge Rates

Scope for CIL & Charge Rate Options

9.3 As mentioned previously, whilst this can vary dependent on area, a reasonable benchmark in terms of profitability/developer's margin is considered to be 20% of GDV on market units and 6% of GDV of affordable units.

9.4 Any profits over and above this benchmark level value can be considered to represent the total amount from which a CIL charge can be drawn. This will ensure that development viabilities will be maintained in the majority of cases. In reality, individual schemes may perform better (or worse) than these scenarios, although we have sought to make conservative assumptions throughout. The details of any individual development are almost certain to vary in a number of ways to any generic assessment, depending on the detailed design and density, land price agreed, the build costs a developer can achieve, the level of affordable housing provision negotiated and the capacity of existing infrastructure amongst other factors.

9.5 It is clear from the residential viability assessments presented earlier in the report that for the moderate and high value areas (high value areas only for apartments) the residual values exceeding the benchmark land values that have been assumed. Low value residential as well as low and moderate value apartments are showing as unviable.

9.6 A sensitivity test of the CIL rate has been undertaken to establish the maximum possible CIL charge rate that is consistent with maintaining viability above the benchmark levels in each scenario. The findings of this exercise are shown in table 9.1.

9.7 As mentioned previously, it is necessary to draw away from these theoretical maxima in setting a charge rate, in order to take account of potential market changes and sites where costs may be slightly higher than typical and/or values somewhat lower. The need to balance generating adequate revenues to fund infrastructure delivery with maintaining the viability of development is the key test in this respect.

9.8 To achieve this balance, our approach is that charge rates should be between 50% and 75% of the identified theoretical maximum. This range is applied to show that the charge rate is based on an equitable proportion of the 'surplus' development value and is contributing to the Charging Authority's CIL revenues, whilst also demonstrably drawing down from the ceiling of viability. Where within this range the charge is set, can be considered a matter of discretion for the Charge Authority, taking account of their attitude to risk in respect of the scale and rate of development likely to come forward in the future.

9.9 Simplicity in the charging schedule is also extremely desirable. As such, when seeking to set a charge rate for each market area, it is sensible and appropriate to take the lowest common denominator of the scenarios assessed for each.

Table 9.1 Residential Maximum Rates and Recommended Charge Rates

	Max. CIL rate per sq. m	Recommended rate range (per sq. m)
0.25ha		
Low Value Area	-£38	-
Moderate Value Area	£71	£35 - £53
High Value Area	£179	£90 - £134
1ha		
Low Value Area	-£39	-
Moderate Value Area	£58	£29 - £44
High Value Area	£158	£63 - £95
5ha		
Low Value Area	-£23	-
Moderate Value Area	£56	£28 - £42
High Value Area	£133	£67 - £100
Apartments		
Low Value Area	-£231	-
Moderate Value Area	-£155	-
High Value Area	£70	£35 - £53

Charge Zone Options

Option 1: Two Zone Approach

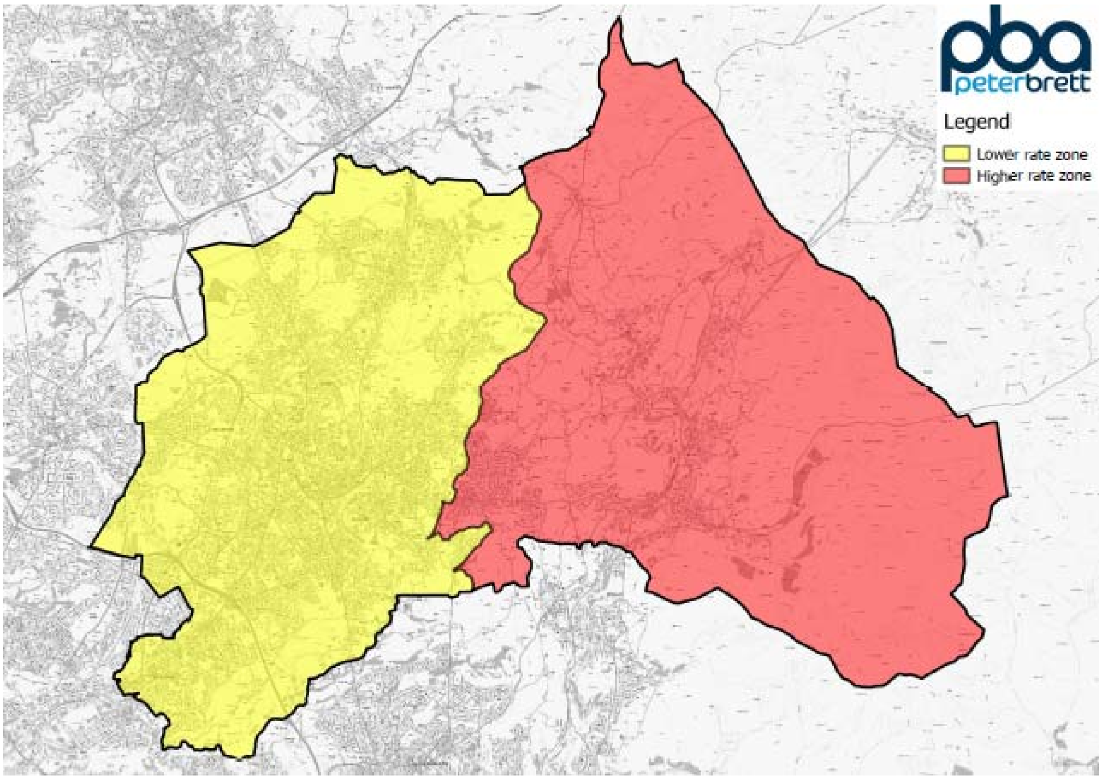
9.10 Using a combination of the sales value heat mapping and other aspects of the evidence base summarised in previous sections of the report, along with the viability assessments undertaken, it is possible to define two zones within Oldham where viability is materially different.

9.11 The two zone approach proposes:

- A lower rate zone that would cover the wards of Alexandra, Chadderton Central, Chadderton North, Chadderton South, Coldhurst, Crompton, Failsworth East, Failsworth West, Hollinwood, Medlock Vale, Royton North, Royton South, Shaw, St. James', St. Mary's, Waterhead and Werneth.
- A higher rate zone that would cover the wards of Saddleworth North, Saddleworth South and Saddleworth West & Lees.

9.12 Figure 9.1 shows how the charging zones would appear across the borough. When compared to the heat mapping it is clear to see that the hot areas cover the areas that are consistently within the top two value zones across the dwelling types.

Figure 9.1 Proposed charge zones – Option 1



9.13 With this two zone approach, we propose the following charge rates:

- Lower value zone – £0 per sq. m
- Higher value zone – £80 per sq. m
- Higher value zone (apartments) – £45 per sq. m

Option 2: Three Zone Approach

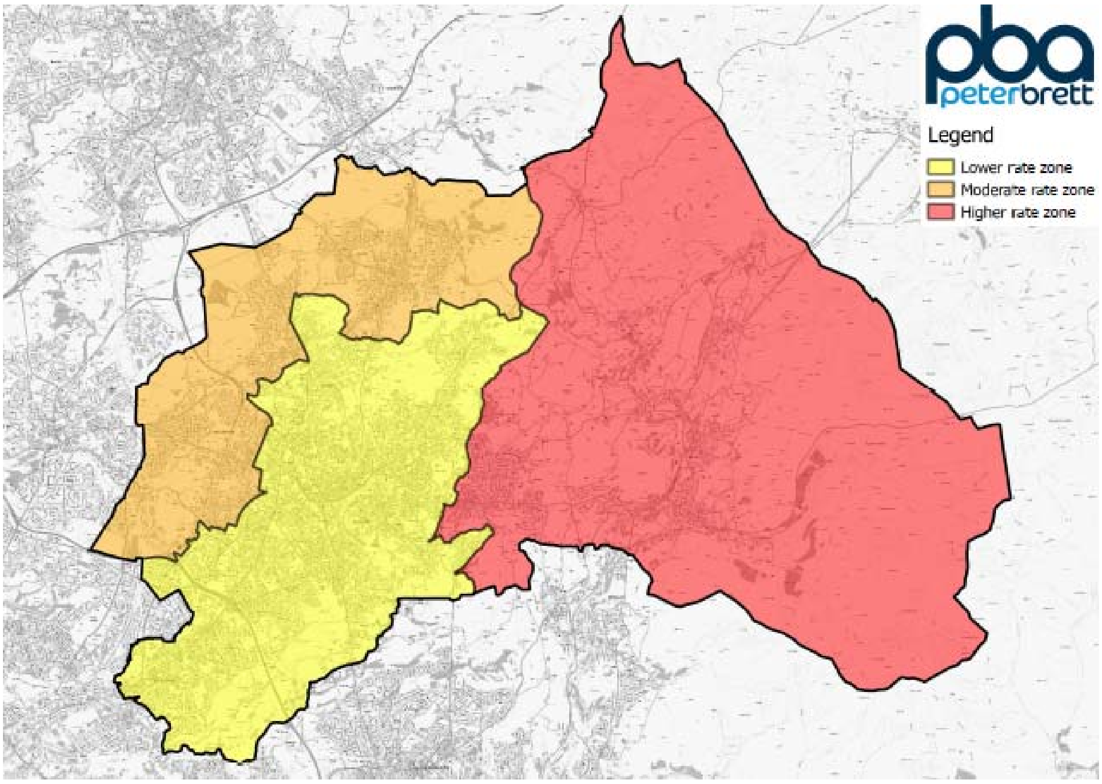
9.14 Using a combination of the sales value heat mapping and other aspects of the evidence base summarised in previous sections of the report, along with the viability assessments undertaken, it is possible to define three zones within Oldham where viability is materially different.

9.15 The three zone approach proposes:

- A lower rate zone that would cover the wards of Alexandra, Chadderton South, Coldhurst, Failsworth East, Failsworth West, Hollinwood, Medlock Vale, Royton South, St James', St Mary's, Waterhead and Werneth.
- A moderate rate zone that would cover the wards of Chadderton Central, Chadderton North, Crompton, Royton North and Shaw.
- A higher rate zone that would cover the wards of Saddleworth North, Saddleworth South and Saddleworth West & Lees.

9.16 Figure 9.2 shows how the charging zones would appear across the borough. When compared to the heat mapping it is clear to see that the hot areas cover the areas that are consistently within the top two value zones across the dwelling types.

Figure 9.2 Proposed charge zones – Option 2



9.17 With this three zone approach, we propose the following charge rates:

- Lower rate zone – £0 per sq. m
- Moderate rate zone – £30 per sq. m
- Higher rate zone – £80 per sq. m
- Higher rate zone (apartments) – £45 per sq. m

Recommended Residential Charge Rates

9.18 Simplicity, as previously outlined, is important when producing the Preliminary Draft Charging Schedule (PDCS), but it is also important to maximise potential revenue opportunities to deliver the infrastructure required without constraining development.

9.19 The evidence gathered supports both options outlined above. In order to maximise the revenues generated, we recommend option two utilising the three zone approach. This approach has been discussed with the project team, as well as at the stakeholder workshop and there is agreement that this approach best reflects the market conditions within Oldham.

Non-Residential Charge Rates

Scope for CIL & Charge Options

9.20 The findings of the non-residential viability appraisals are set out in table 9.2 below. It shows the high-level viability assessment for each use based on a comparison of the costs and values of development. The value is a function of prevailing rental levels, capitalised using an assumed yield relevant to the use and the location, less the value of any likely inducements such as rent free periods. Development costs take account of land acquisition costs.

9.21 The data is displayed below in the following format:

- Red shaded cells show those uses for which there is a negative overage after all costs (including developer's margin) are taken into account;
- Black cells show those use types where the residual value is greater than the benchmark value and can be considered viable.

Table 9.2 Non-residential Viability Findings

	GIA	NIA	Net site area ha	Residual value		Benchmark		CIL Overage	
				Per Ha	Per £psm	Per Ha	Per £psm	Per Ha	Per £psm
Town Centre Office	6,000	5,100	0.25	-£18,188,229	-£758	£1,250,000	£52	-£19,438,229	-£810
Business Park Office	4,000	3,400	0.50	-£3,531,823	-£441	£450,000	£56	-£3,981,823	-£498
Industrial and Warehousing	4,000	3,800	1.00	-£1,487,831	-£372	£400,000	£100	-£1,887,831	-£472
High Street Comparison Retail	6,000	5,100	0.50	£7,695,446	£641	£7,500,000	£625	£195,446	£16
Retail Warehouse	4,000	3,600	1.00	£2,422,771	£606	£2,000,000	£500	£422,771	£106
Supermarket	4,000	3,600	1.00	£3,918,295	£980	£3,000,000	£750	£918,295	£230
Neighbourhood Convenience	1,200	1,080	0.20	£1,106,331	£184	£900,000	£150	£206,331	£34

9.22 As can be seen from this table, on viability evidence alone, only supermarkets and retail warehouse developments can comfortably accommodate a charge when looked at on a speculative basis. We consider rates for these uses below. Our assessments also show high street comparison retail and neighbourhood convenience retail to be viable, however only marginally so. Rate options for these uses will also be discussed below. The figures identified in the CIL overage column represent the maximum potential charge that form of development can accommodate.

Recommended Non-Residential CIL Rates

9.23 Table 9.3 sets out the proposed rates for non-residential developments in Oldham that will deliver the aspirations of the Core Strategy.

9.24 In the case of each use, we propose a range for any CIL charge that takes account of the need to draw down from the ceiling of viability. The extent of which the charge draws away from this theoretical maximum is informed by the Council's attitude to development risk, confirmed by discussions with the project steering group and the feedback received.

9.25 The council will need to consider how the quantum and pace of development would be affected by the level at which CIL is set. If imposing a higher CIL charge could result in less development coming forward and at a slower rate than anticipated, the council will need to assess whether this is acceptable given its Core Strategy aspirations. If it is felt that delivery would be put at significant risk, the council should give careful consideration to setting a CIL charge which is further lowered from the theoretical maximum charge.

Table 9.3 Non-Residential Recommended Rates

Use	Maximum CIL Charge (per sq. m)	Recommended Range (per sq. m)	Proposed CIL Rate (per sq. m)
Supermarket	£230	£115 - £173	£160
Retail Warehouse	£106	£53 - £80	£70
Neighbourhood Convenience Retail	£34	£17 - £26	£20
High Street Comparison Retail	£16	£8 - £12	£0
Town Centre Office	n/a	-	£0
Business Park Office	n/a	-	£0
Industrial/Warehousing	n/a	-	£0
Education, Health & Community Uses	n/a	-	£0

Proposed Preliminary Draft Charging Schedule

9.26 The Preliminary Draft Charging Schedule is outlined in table 9.4 below. The charges set reflect the viability evidence that has been gathered and tested and comply with the CIL regulations, as we interpret them. We believe that it is exactly this kind of clarity and simplicity that is being sought and will be sought by Inspectors.

Table 9.4a Proposed Draft Charging Schedule – Option 1

Use	CIL Charge (per sq. m)
Market houses in lower value zone	£0

Market houses in higher value zone	£80
Market apartments in higher value zone	£45
Supermarket	£160
Retail Warehouse	£70
Neighbourhood Convenience Retail	£20
All Other Development	£0

Table 9.4b Proposed Draft Charging Schedule – Preferred Option 2

Use	CIL Charge (per sq. m)
Market houses in lower value zone	£0
Market houses in moderate value zone	£30
Market houses in higher value zone	£80
Market apartments in higher value zone	£45
Supermarket	£160
Retail Warehouse	£70
Neighbourhood Convenience Retail	£20
All Other Development	£0

Revenue Projections

9.27 A revenue projection has been formulated to give the council an indication of the potential CIL revenue produced at the set rates. The table below aligns the rates with the level of development suggested over the development plan period. The CIL revenues are then calculated as a total for the plan period and then broken down into annual figures.

Table 9.5 CIL Revenue Projection

	CIL Charge per sq.m	No. units in plan period (note 1a)	Market units (note 1b)	Unit floorspace (note 2)	Gross floorspace (see note 3)	Estimated net additional proportion (see note 4)	Estimated net additional floorspace	Estimated CIL revenue in plan period	Estimated annual CIL revenue
Residential								-	-
Houses								-	-
Lower	-	3,748	2998	90	269,856	95%	256,363	-	-
Moderate	30	648	518	100	51,840	95%	49,248	1,477,440	98,496
Higher	80	847	678	110	74,536	95%	70,809	5,664,736	377,649
Apartments									
Lower	-	415	332	50	16,600	95%	15,770	-	-
Moderate	-	72	58	55	3,168	95%	3,010	-	-
Higher	45	94	75	60	4,512	95%	4,286	192,888	12,859
Non-residential									-
Supermarket	160				6,500	95%	6,175	988,000	65,867
Retail Warehouse	80				1,500	95%	1,425	114,000	7,600
Neighbourhood Convenience Retail	20				1,500	95%	1,425	28,500	1,900
Town Centre Comparison Retail	-				30,000	50%	15,000	-	-
Industrial/warehousing	-				-	75%	-	-	-
Business Park Office	-				-	95%	-	-	-
Town Centre Office	-				110,000	50%	55,000	-	-
Total								8,244,176	549,611.73

Note 1a: taken from the Core Strategy - 2011-2026
Note 1b: affordable housing is not liable for CIL. We assume that policy levels for affordable housing are achieved.
Note 2: the average unit size is based on our analysis of new build properties
Note 3: office and industrial floorspace relates to figures in the Core Strategy. This is converted into floorspace based on the 85:15 split between industrial and offices with industrial at 40% site coverage with 1 storey, business park offices at 40% site coverage with 4 storeys, and town centre offices at 75% site coverage with 4 storeys. Retail floorspace is taken from the Core Strategy less floorspace already completed of with planning permission.
Note 4: CIL is levied on net additional floorspace. Although in Oldham most of development will take place on brownfield land much of this is land is not currently in use.

10 IMPLEMENTATION

10.1 This final section of our report sets out some of the issues involved in adopting and implementing the CIL.

Exceptional Circumstances and Discretionary Relief

10.2 Affordable housing is automatically exempt from paying CIL. In addition, the authority has the option to offer discretionary relief from CIL charges where the landowner is a charitable body and if the development is in line with its charitable purpose. This is a decision taken locally, although there are detailed rules governing entitlement to such relief and its amount. The Charging Authority (CA) must publish its policy for giving relief in such circumstances, the Regulations do not set a specific timeframe for when this should be published.

10.3 A CA can also give relief from the levy in exceptional circumstances, for example where a specific scheme would not be viable if it were required to pay the levy and a signed S106 agreement that was greater than the value of the CIL charge applicable. Where a CA wishes to offer exceptional circumstances relief it must first give notice publicly of its intention to do so. Claims for relief on chargeable developments from landowners should then be considered on a case by case basis. In each case, an independent person with suitable qualifications and experience must be appointed by the claimant with the agreement of the CA to assess whether:

- the cost of complying with the signed Section 106 Agreement is greater than the levy's charge on the development; or
- paying the full CIL charge would have an unacceptable impact on the development's economic viability.

Instalments Policy

10.4 Regulation 69B sets out the simplified criteria for enabling a charging authority to instigate an instalments policy for CIL payments. The policy should only contain the following information:

- the effective date of the policy, and number of instalment payments;
- the amount or proportion of CIL payable in any instalment;
- when the instalments are to be paid based on time from commencement; and
- any minimum amount of CIL below which CIL may not be paid in instalments.

10.5 It will be useful to assess the general timeframes for the delivery of development schemes and then consider the phasing of the payments. A possible starting point could be a phased schedule of payments spread over two to three years with two or three payments over this timeframe. This will reduce the financial burden on developers who need to invest up front in infrastructure and construction before they can recoup any development costs through disposals. The council may wish to consider a minimum amount below which CIL may not be paid in instalments. Any such decision will need to be informed by an assessment of the level of 'smaller' developments that are anticipated.

10.6 Developments which are likely to have a more significant cashflow implication are probably going to be those which have a construction period which extends beyond a year or where the scale of the charge exceeds approximately £500,000 (very broadly equal to potential charge from 50 houses).

Administration charges

10.7 There is provision within the CIL regulations (Regulation 61) to use up to 5 per cent of the CIL receipts towards the administration and set up expenses related to the operation and management of the levy. This will provide the CA with a useful source of funding to take a proactive approach towards infrastructure delivery and explore opportunities for generating revenue as well as charging.

10.8 The viability assessments undertaken as part of this study have not taken account of any additional administration charges that may be levied on developers; rather, they have assumed that the administration charge will be drawn from the levy as proposed. If preferable, we are happy to split out the 5% administration element of the Levy in future revisions to this document.

Use of CIL Receipts for Revenue Purposes

10.9 The CIL Regulations do allow for CIL receipts to be used for revenue purposes,(maintenance, management etc). However, the clear primary intent of the CIL is to deliver a pot of funding for capital investment in essential infrastructure, rather than to plug shortfalls in revenue budgets. In order to maximise the social and economic benefits of CIL, it is important that capital infrastructure spending is prioritised over revenue spending on maintenance and so on.

10.10 Therefore, it is proposed the CIL receipts in Oldham will only be used for revenue spending in highly exceptional circumstances. It is important that other approaches to resolving any revenue budget problems, particularly approaches to negotiating and securing Commuted Sums are fully exhausted before any calls on CIL receipts are made for revenue purposes.

Monitoring and Review

10.11 There are no prescribed review periods for a CIL charging schedule; it is a decision for the CA. We would expect this period to be between three to five years, although much will depend on market conditions and their impacts on development viability, as well as additional lessons learnt from the implementation of the CIL.

10.12 Clearly, the viability of most forms of development has been negatively affected by the recent recession and could be considered to be at or close to the trough in the market cycle at this time. We suggest that the council implements a programme of monitoring market conditions in relation to a series of trigger points for a review. We suggest this monitoring takes place on a 12-monthly basis.

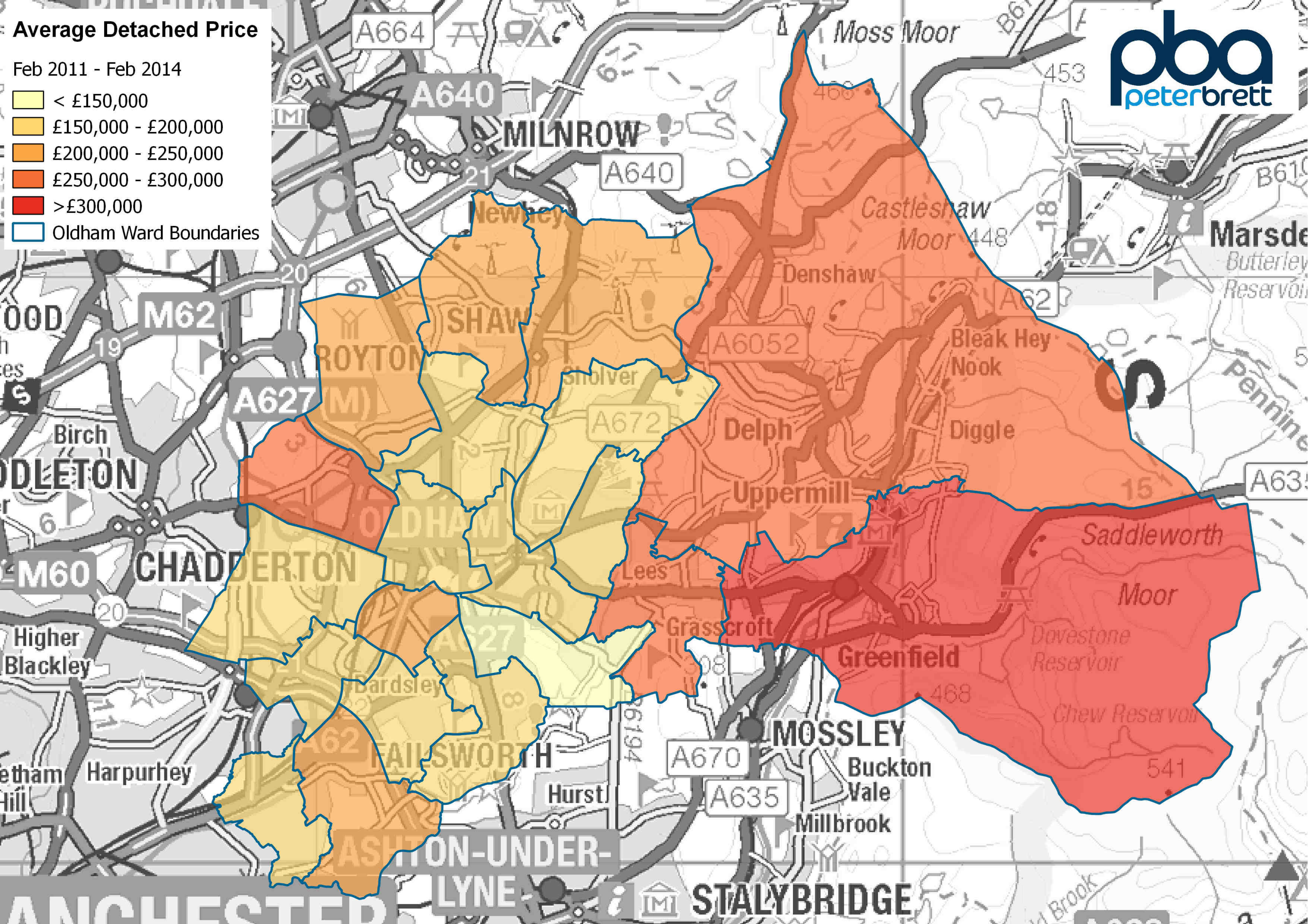
10.13 It is known that development viability is most sensitive to changes in development value. Typically a 10% change in the value of development can increase or decrease viability by circa 30%. Similarly, a 10% change in build costs can affect development viability by circa 20%. Other factors which have a significant impact on viability include the density of development and policy requirements, both of which are likely to stay broadly the same over the time period being considered.

10.14 We therefore propose a number of guidelines: If three or more of the following criteria are met, then a full review of the Charging Schedule should be considered:

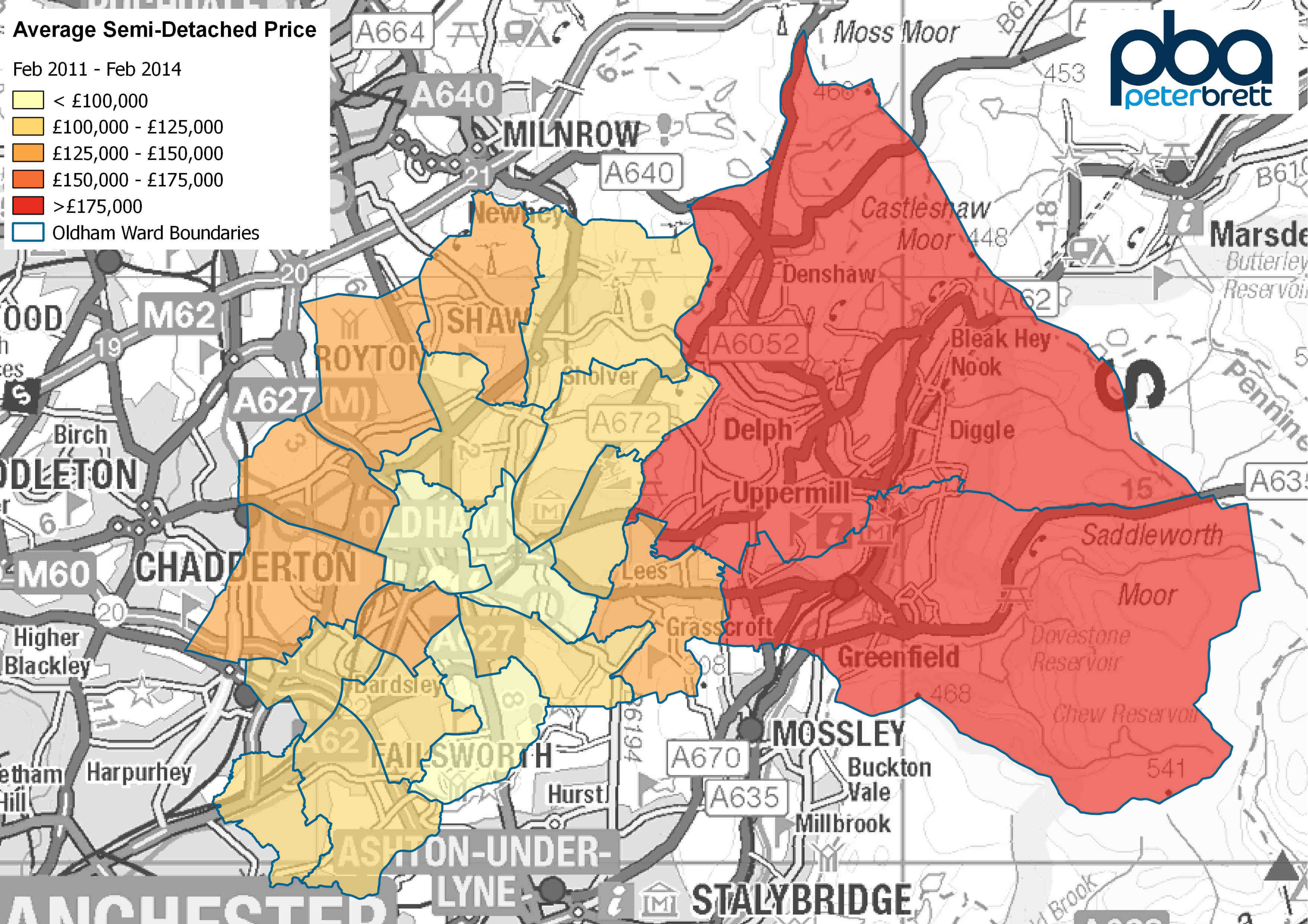
- a 5% change in residential sales values since the date of adoption;
- a 10% change in residential build cost since the date of adoption;
- a 10% change in office rental values since the date of adoption;
- a 10% change in office yields since the date of adoption;
- a 10% change in office build costs since the date of adoption;
- a 10% change in industrial rental values since the date of adoption;
- a 10% change in industrial yields since the date of adoption;
- a 10% change in industrial build costs since the date of adoption;
- a 10% change in town centre comparison retail rental values since the date of adoption;
- a 10% change in town centre comparison retail yields since the date of adoption;
- a 10% change in town centre comparison retail build costs since the date of adoption;
- a 10% change in supermarket rental values since the date of adoption;
- a 10% change in supermarket yields since the date of adoption;
- a 10% change in supermarket build costs since the date of adoption;
- a 10% change in retail warehouse rental values since the date of adoption;
- a 10% change in retail warehouse yields since the date of adoption;
- a 10% change in retail warehouse build costs since the date of adoption;
- A review of the Charging Schedule should automatically occur if:
- The rate of residential development falls below 50% of the long term average for two consecutive years; or
- There is a significant revision to or departure from the Development Plan or a major windfall development is permitted.

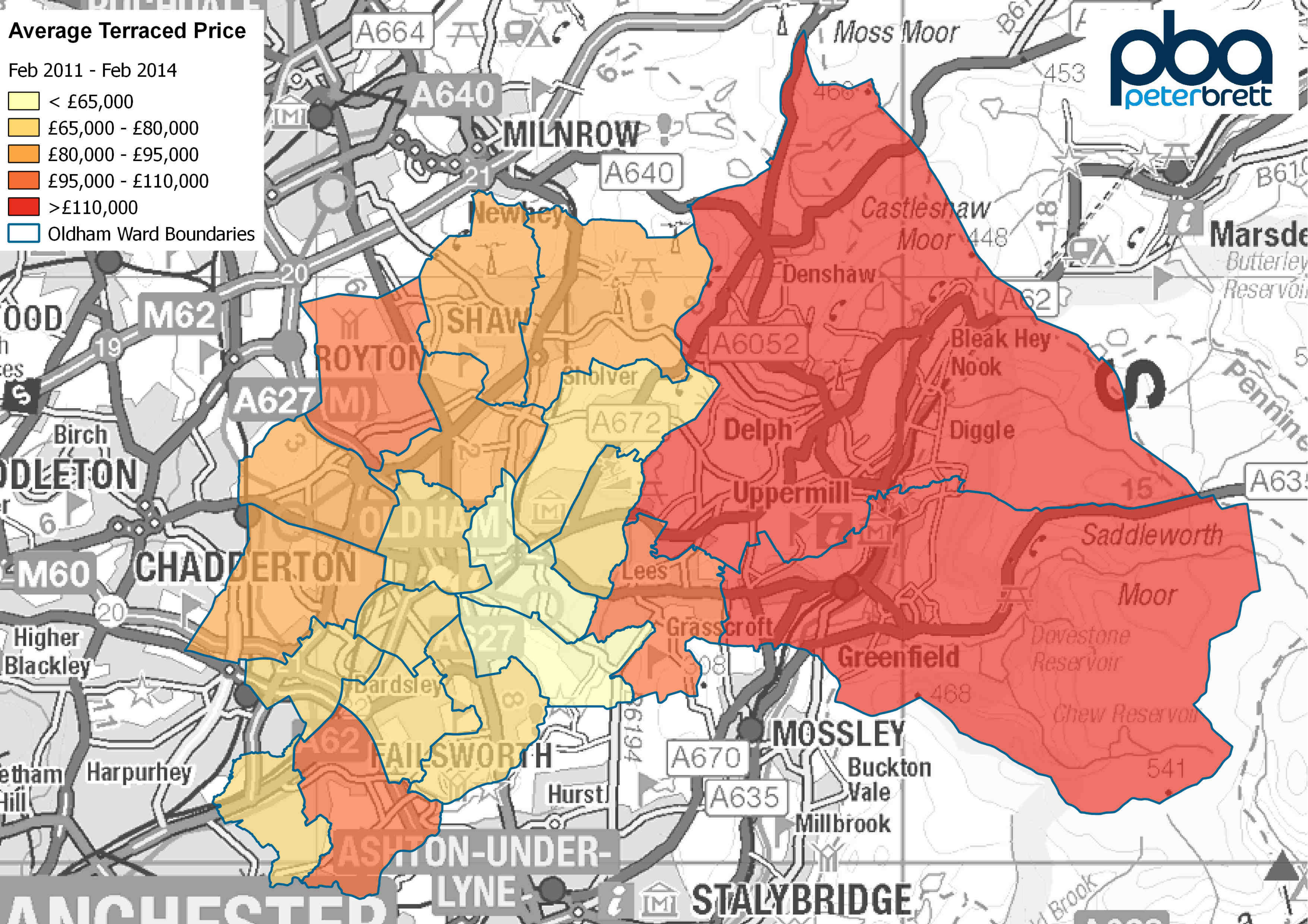
10.15 It should be noted that there is a requirement for the CA to publish a report on its website at the end of each year showing the level of CIL receipts collected and how these have been utilised.

APPENDIX A HEAT MAPPING



Average Detached Price
Feb 2011 - Feb 2014
< £150,000
£150,000 - £200,000
£200,000 - £250,000
£250,000 - £300,000
>£300,000
Oldham Ward Boundaries
MILNROW
SHAW
ROYTON
OLDHAM
CHADDERTON
FAILSWORTH
ASHTON-UNDER-LYNE
STALYBRIDGE
MOSSLEY
Delph
Uppermill
Denshaw
Diggle
Greenfield
Grasscroft
Lees
Saddleworth Moor
Castleshaw Moor
Moss Moor
Dovestone Reservoir
Chew Reservoir
Bleak Hey Nook
Buckton Vale
Millbrook
Hurst
Bardsley
Newhey
Sholver
Higher Blackley
Harpurhey
Birch
A640
A664
A627(M)
A6052
A672
A62
A635
A670
M62
M60


Average Semi-Detached Price
Feb 2011 - Feb 2014
< £100,000
£100,000 - £125,000
£125,000 - £150,000
£150,000 - £175,000
>£175,000
Oldham Ward Boundaries
peterbrett
MILNROW
SHAW
ROYTON
OLDHAM
CHADDERTON
FAILSWORTH
ASHTON-UNDER-LYNE
STALYBRIDGE
MOSSLEY
Delph
Uppermill
Diggle
Denshaw
Greenfield
Grasscroft
Lees
Saddleworth Moor
Castleshaw Moor
Moss Moor
Bleak Hey Nook
Dovestone Reservoir
Chew Reservoir
Buckton Vale
Millbrook
Hurst
Bardsley
Birch
Higher Blackley
Harpurhey
Marsden



Average Terraced Price
Feb 2011 - Feb 2014
< £65,000
£65,000 - £80,000
£80,000 - £95,000
£95,000 - £110,000
>£110,000
Oldham Ward Boundaries
peterbrett
MILNROW
ROYTON
SHAW
OLDHAM
CHADDERTON
FAILSWORTH
Denshaw
Delph
Uppermill
Diggle
Greenfield
Lees
Grasscroft
MOSSLEY
STALYBRIDGE
ASHTON-UNDER-LYNE
Saddleworth Moor
Castleshaw Moor
Moss Moor
Bleak Hey Nook
Dovestone Reservoir
Chew Reservoir
Harpurhey
Higher Blackley
Birch
Buckton Vale
Millbrook
Hurst
Bardsley
Sholver
A640
A664
A6052
A672
A627(M)
A62
A670
A635
M62
M60

APPENDIX B STAKEHOLDER WORKSHOP NOTE

MINUTES

Meeting Title:	Oldham CIL Stakeholder Workshop	
Attendees:	Gary Lynch (GL)	Russell Construction
	Phil Wiggett (PW)	Wiggett Homes
	Jenny Kovacs (JK)	Regenda Housing
	Rob Wiggans (RW)	Taylor Wimpey
	Peter Bacon (PB)	New Charter Housing
	Cllr Dave Hibbert (DH)	Oldham MBC
	Jameson Bridgwater (JB)	Oldham MBC
	Georgina Brownridge (GB)	Oldham MBC
	Sarah Wightman (SW)	Oldham MBC
	Mark Ollerenshaw (MO)	Oldham MBC
	Liz Kershaw (LK)	Oldham MBC
	Ben Hill (BH)	Oldham MBC
	Alan Evans (AE)	Oldham MBC
	Abby Hitchen (AH)	Oldham MBC
	Joanne Blair (JB)	Oldham MBC
Apologies:		
cc:		
Date of Meeting:	08 July 2014	
Job Number:	30285	

Item	Subject	Actions
1.	**Residential Assumptions** **TYPOLOGIES** **GL** – Disagrees with the net developable assumptions on the smaller site typology. Access roads and so on can take up significantly more space than expected. **GL** – Density assumptions are there or thereabouts. No comment was made on the density assumptions for apartments. **SALES VALUES** **Heat Mapping** **PW** – Stated he has traded in most parts of the borough over the years. The pattern broadly reflects what he would expect to see. **JK** – She would expect to see big differences between different wards across the borough. **PW** – A three zone approach best reflects the position shown in the mapping and what he has experienced.	

	JB – Could the hotter ward just outside the North Western Arc be included in this area? **MW** – When looked at across the piece the ward would seem to fall in the lower value areas in the most part and therefore we feel it should be included in the lower value area. **GL** – Having more zones can reflect a greater number of market conditions. How will the heat mapping be monitored? **MW** – The Council can review CIL when they see fit, in line with the regulations. Criteria for points of update will be given in the report that is to be produced. We expect a typical document to have a lifespan of between 3 and 5 years. **JB** – Following the production of the report a political decision will be made that will guide this decision. **DH** – Can price banding be used instead of geographical zones? **MW** – No, only by reference to geographical zones. **Sales Values** **PW** – Has experience of seeing values as high as £275/ft in Saddleworth areas. Values would appear to be about right. **RW** – Very little apartment developments are coming forward at the moment **GL** – Agreed. Apartments only seem to be coming forward where there are very site specific requirements. For example, in high value areas where the market is dominated by large detached homes and little else. **PW** – Knows of an apartment development in a high value area that sold 12 units in a 6 month period. Most of the buyers were people looking to trade down and downsize to a smaller property. **PW** – Current purchasers of apartments in central areas of Manchester are from the Far East looking to buy homes for children coming over to study. **RW** – Landlords will also buy up apartment properties. **LAND VALUES** **PW** – The values are there or thereabouts. No other comment made. **BUILD COSTS** **PW/JK** – Numbers seem low **PW** – Highlighted that the cost of a brick has gone up by 30% in the past 12 months. **COMMON ASSUMPTIONS** **PW –** Stated that Wiggett Homes works on the basis of 15-20%	

	profit on GDV. **RW** – No issue with the profit assumptions	
2.	**Non-Residential Assumptions** No comment on assumptions made for non-residential assumptions	